

# Original Application

Urologic Surgery Center of  
Knoxville

CN1807-029



## State of Tennessee

### Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243  
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

## CERTIFICATE OF NEED APPLICATION

### SECTION A: APPLICANT PROFILE

1. **Name of Facility, Agency, or Institution**

Urologic Surgery Center of Knoxville

Name

At an unaddressed location in Knoxville, Tennessee near the current southwest end of Global Way in the Century Park office district near the intersection of Pellissippi Parkway and Dutchtown Road in Knoxville, approximately 800 feet southwest of the west intersection of Global Way and Century Park Boulevard

Street or Route

Knox

County

Knoxville

City

TN

State

Zip Code

Note: The faculty's name and address **must be** the name and address of the project and **must be** consistent with the Publication of Intent.

2. **Contact Person Available for Responses to Questions**

Scott Guyton

Name

Chief Operating Officer for Tennessee, CUA Opco, LLC

Title

CUA Opco, LLC, c/o Tennessee Urology Associates

Company Name

sguyton@TNurology.com

E-mail address

9041 Executive Park Dr., Ste. 112

Street or Route

Knoxville

City

TN

State

37923

Zip Code

Business Management of Practice

Association with Owner

865-690-0602

Phone Number

Fax Number

**NOTE:** **Section A** is intended to give the applicant an opportunity to describe the project. **Section B** addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, Contribution to the Orderly Development of Health Care, and Quality Measures.

Please answer all questions on **8½" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response.** All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.**

### 3. **SECTION A: EXECUTIVE SUMMARY**

#### **A. Overview**

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) **Description** – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

**RESPONSE:** This CON application is for the establishment of an ambulatory surgical treatment center in Knoxville, Knox County, Tennessee, limited to urological surgical cases and procedures performed by physician employees of Tennessee Urology Associates, PLLC. This ASTC is planned to have two operating rooms and five procedure rooms. The name of the surgery center will be Urologic Surgery Center of Knoxville; it will be owned by Urologic Surgery Center of Knoxville, LLC, a Tennessee limited liability company. The proposed surgery center will be managed by CUA Opco, LLC, a management company affiliated with Chesapeake Urology Associates.

- 2) **Ownership structure;**

**RESPONSE:** As shown above, this surgery center is owned by Urologic Surgery Center of Knoxville, LLC, a Tennessee limited liability company whose limited liability company interests are owned by Tennessee Urology Associates, PLLC.

- 3) **Service area;**

**RESPONSE:** The service area for this proposed ASTC consists of the following Tennessee counties: Knox, Anderson, Loudon and Roane. The location for the proposed ASTC will be within the city of Knoxville, in western Knox County, a few miles from Anderson, Loudon and Roane County line. Tennessee Urology Associates, PLLC, has eight offices in the service area: four in Knox County, two in Anderson County, and one each in Loudon and Roane counties. The applicant believes that Tennessee Urology Associates, PLLC is the largest urological practice in this part of Tennessee; it employs 18 urological physician specialists, 17 of whom are board certified.

- 4) **Existing similar service providers;**

**RESPONSE:** While there are 17 licensed ASTCs listed on the Department of Health's website for Knox and Anderson Counties (15 in Knox County and two in Anderson County), 12 of these are specialized, individually limited to providing ophthalmologic, endoscopy, pain, orthopedic, plastic or reproductive surgical services. Only four licensed ASTCs in Knox County and one in Anderson County currently provide a general range of ASTC services. There is no licensed ASTC in the proposed service area which is limited to the specialty of urology. This project will be the first one. The Department of Health website also currently lists no licensed ASTCs in Roane or Loudon County.

- 5) **Project cost;**

**RESPONSE:** The applicant estimates that the project costs for this ASTC will be approximately \$12,100,000.

6) **Funding;**

**RESPONSE:** The applicant projects that this project will be carried out in leased space, thereby reducing the upfront costs for its establishment. Given the projected case and procedure volumes described in this application, the applicant believes that the funding for this project will be provided by the management company for the ASTC, CUA Opco, LLC, and the cash flow of the ASTC when operational.

7) **Financial Feasibility including when the proposal will realize a positive financial margin; and**

**RESPONSE:** This project is financially feasible, given the size and financial strength of TUA, and the fact that this ASTC will operate in leased space. This applicant projects that the Project will have positive financial margin in its first year of operations.

8) **Staffing.**

**RESPONSE:** The management company for this ASTC, CUA Opco, LLC, manages several other urology focused ambulatory surgery centers in other states. It has experience with and understands ASTC licensure and staffing issues. TUA already utilizes a number of nurses who are experienced in the delivery of surgical services for urology patients. It expects to be able to shift a number of these nursing personnel to this new ASTC. CUA Opco, LLC, the manager of this proposed ASTC, has extensive experience in managing such centers and recruiting staff for ASTCs. This ASTC will be a beneficiary of its experience. The applicant does not expect any difficulty in staffing this ASTC.

**B. Rationale for Approval**

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

1) **Need;**

**RESPONSE:** Given that there are no dedicated urological ASTC surgery centers in the service area, there is a clear need for the establishment of the ASTC proposed in this CON application. As shown by the data set forth in the tables below, the need for this proposed ASTC is clear. This CON application proposes an ASTC that will have two operating rooms and five procedure rooms. The greater volume of urological surgery is in the procedure rooms in terms of the number of rooms. In the service area, there are currently only two procedure rooms in service surgery centers that are not specialized: there is one procedure room at Parkwest ASC, which in 2017 had a utilization rate of 74.9% of full capacity. There is also a procedure room in the Advanced Family ASTC in Anderson County, in Oak Ridge, but no urology procedures were performed there in 2017, according to its 2017 JAR. In the proposed service area, approximately 71.5% of the service area population resides in Knox County. Thus, there is no available ASTC procedure room in Knox County that is reported to be utilized at less than the optimal 70% of full capacity standard for procedure rooms set forth in the State Health Plan, and Knox County provides the largest number of TUA patients. Thus, the physicians at Tennessee Urology Associates effectively have no ASTC procedure rooms available in Knox County in which to perform outpatient urological surgical



procedures. This proposed ASTC will meet this need, and focus the larger number of its surgical rooms on procedure rooms for full-time use for urological surgical services by the urologists at TUA.

As shown by the table below for non-specialized ASTCs in the service area, the Children's West ASTC is the only ASTC in the service area where a significant volume of urological procedures were performed in 2017. However, the patients at Children's West ASTC are primarily ages 17 and under. The physicians at TUA do not provide non-emergency urological services to children age 17 and under, and do not practice at Children's West ASTC. The 2017 JAR for Children's West ASTC demonstrates that a number of its patients are age 18 or over, and that Children's West ASTC does not have a procedure room.

#### Non-Specialized ASTCs in Service Area\*

##### 2017

County/ASC	OR#	OR Cases	Proc. Rm. #	Proc. Rm Procs.	Urologists on Staff	OR% Util.	PR% Util.
<i>Knox Co.</i>							
Ft. Sanders West	4	2,414	0	0	0	48%	0
Parkwest ASC	5	3,429	1	1,997	0	54.3%	74.9%
Physicians' Surgery Ctr	5	4,253	0	0	0	67.4%	0
Children's West ASC	3	5,116	0	0	3	135%	0
<i>Anderson Co.</i>							
Advanced Family ASC	4	3,314	1	0	0	65.6%	0

##### 2016

County/ASC	OR#	OR Cases	Proc. Rm. #	Proc. Rm Procs.	Urologists on Staff	OR% Util.	PR% Util.
<i>Knox Co.</i>							
Ft. Sanders West	4	2,291	0	0	0	65%	0
Parkwest ASC	5	3,580	1	2,683	0	71%	101%
Physicians' Surgery Ctr	5	4,881	0	0	3	77.3%	0
Children's West ASC	3	4,903	0	0	2	130%	0
<i>Anderson Co.</i>							
Advanced Family ASC	4	3,383	1	0	0	67%	0

**2015**

County/ASC	OR#	OR Cases	Proc. Rm. #	Proc. Rm Procs.	Urologists on Staff	OR% Util.	PR% Util.
<i>Knox Co.</i>							
Ft. Sanders West	4	2,282	0	0	0	45.17%	0
Parkwest ASC	5	3,625	1	2,270	0	57.4%	85.1%
Physicians' Surgery Ctr	5	4,472	0	0	3	70.82%	0
Children's West ASC	3	4,534	0	0	2	119.66%	0
<i>Anderson Co.</i>							
Advanced Family ASC	4	3,735	1	0	0	73.93%	0

\*Data Source: 2015-2017 JARs.

**2) Economic Feasibility;**

**RESPONSE:** This project is economically feasible. It will work with one of the largest and oldest urology groups in East Tennessee with 18 urologists with extensive existing practices. It will be managed by CUA Opco, LLC, which has significant experience in managing ASTCs specializing in urological surgery cases and procedures.

**3) Appropriate Quality Standards; and**

**RESPONSE:** As detailed below, this project satisfies all applicable quality standards as set forth in HSDA Rule 0720-11-.01(3), as applicable:

- (3) Quality. Whether the proposal will provide health care that meets appropriate quality standards may be evaluated upon the following factors:

- (a) Whether the applicant commits to maintaining staffing comparable to the staffing chart presented in this CON application;

**RESPONSE:** The applicant commits to maintaining staffing comparable to the staffing chart presented in this CON application.

- (b) Whether the applicant will obtain and maintain all applicable state licenses in good standing;

**RESPONSE:** The applicant will obtain and maintain its license as an ambulatory surgical treatment center granted by the Tennessee Board for Licensing Healthcare Facilities.

- (c) Whether the applicant will obtain and maintain TennCare and Medicare certification(s), if participation in such programs was indicated in the application;

**RESPONSE:** The applicant will obtain and maintain TennCare and Medicare certifications for this ASTC.

- (d) Whether an existing healthcare institution applying for a CON has maintained substantial compliance with applicable federal and state regulation for the three years prior to the CON application. In the event of non-compliance, the nature of non-compliance and corrective action shall be considered.

**RESPONSE:** Not applicable; the applicant is not an existing healthcare institution.

- (e) Whether an existing health care institution applying for a CON has been decertified within the prior three years. This provision shall not apply if a new, unrelated owner applies for a CON related to a previously decertified facility.

**RESPONSE:** Not applicable; the applicant is not an existing healthcare institution.

- (f) Whether the applicant will participate, within 2 years of implementation of the project, in self-assessment and external assessment against nationally available benchmark data to accurately assess its level of performance in relation to established standards and to implement ways to continuously improve.

**RESPONSE:** Yes. The applicant will participate in the self-assessment and external assessment processes described in this question within two years after completion of this project.

- (1) This may include accreditation by any organization approved by Centers for Medicare and Medicaid Services (CMS) and other nationally recognized programs. The Joint Commission or its successor, for example, would be acceptable if applicable. Other acceptable accrediting organizations may include, but are not limited to, the following:
- (ii) Accreditation Association for Ambulatory Health Care, and where applicable, American Association for Accreditation of Ambulatory Surgical Facilities, for Ambulatory Surgical Treatment Center projects;

**RESPONSE:** The applicant intends to seek accreditation by the Accreditation Association for Ambulatory Health Care.

- (g) For Ambulatory Surgical Treatment Center projects, whether the applicant has estimated the number of physicians by specialty expected to utilize the facility, developed criteria to be used by the facility in extending surgical and anesthesia provides to medical personnel, and documented the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**RESPONSE:** The applicant projects that the 18 urologist physicians employed by TUA will utilize this ASTC. TUA utilizes services of a number of OR nurses and CRNAs in its existing physician offices in which surgical procedures have been performed in the past. It anticipates that these personnel will move to the proposed ASTC when it opens. This process, together with the recruitment capabilities and

experience of its ASTC manager, CUA Opco, LLC, document the availability of appropriate and qualified staff for this proposed ASTC.

**4) Orderly Development to adequate and effective health care.**

**RESPONSE:** This project contributes to the orderly development of adequate and effective health care by providing an efficient ASTC designed for, and limited to, urological surgical services by physician employees of one of the largest urology professional corporations in the Knoxville and east Tennessee area. The project will be limited in scope to urological surgery cases and procedures, and it will also be limited to use by the physicians employed by Tennessee Urology Associates, PLLC, which currently number 18 such urological specialists. This project will serve both TennCare and Medicare patients, and it will focus and treat patients aged 18 and over. The physician employees of Tennessee Urology Associates, PLLC are long-time members of the medical community in Knoxville and the service area. A number of them have served the urological needs of patients in Knox County for more than 20 years. The physician employees of TUA, PLLC are on staff at many of the hospitals in Knox County and surrounding counties.

The positive impacts of this project lie in the focus of the project on efficient, cost-effective, specialized urological outpatient surgical care. This project will have sufficient size and scope, through focusing primarily on procedure rooms, to enable these physicians to deliver a relatively high volume of outpatient urological procedures efficiently and in a cost-effective manner.

Any negative effects attributed to duplication or competition arising from this project are limited. For example, the only ASTC in Knox County which had urologists on staff and which had urological surgery cases done in 2017, according to the 2017 ASTC Joint Annual Reports is the Children's West ASTC. However, the physicians at TUA do not serve patients under the age of 18. Therefore, they do not provide services at Children's West ASTC. The 2017 JAR for Children's West also reports no procedure rooms exist there.

Similarly, the limitation of the scope of practice at this proposed ASTC to urological outpatient cases and procedures, and to those performed only by physician employees of Tennessee Urology Associates, PLLC, also limits any negative effects otherwise attributable to duplication or competition. As noted below in this application, currently there is only one ASTC procedure room in Knox County that could be possibly open to these physicians for these urological surgical services. However, the problem with this single procedure room is that it is already utilized at a rate in excess of 70% of the maximum utilization, indicating it has limited additional expansion capacity, and that particular ASTC Parkwest, reports in its latest JAR having no urologists currently on staff. This proposed ASTC project will be located in Knox County, where more than 71% of the service area population resides.

Because Tennessee Urology Associates, PLLC has a history of delivering significant in-office surgical procedures, it already has access to nurses, techs and CRNA services that can be transferred to the activities of this proposed surgery center. Given that this surgery center will be managed by CUA Opco, LLC, a management company specializing in the management of urological surgery centers and physician groups, this proposed ASTC will have the benefit of CUA Opco's access to the recruitment capabilities in and securing of human resources and supportive services for the center.

This project will be licensed as an ASTC by the Tennessee Board for Licensing Healthcare Facilities. It will also seek accreditation by the Accreditation Association for Ambulatory Health Care, as indicated elsewhere in this application.

**C. Consent Calendar Justification**

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed. **N/A**

**4. SECTION A: PROJECT DETAILS**

**A. Owner of the Facility, Agency or Institution**

<u>Urologic Surgery Center of Knoxville, LLC</u>	<u>865-690-0602</u>
Name	Phone No.
<u>9041 Executive Park Drive, Ste. 112</u>	<u>Knox</u>
Street or Route	County
<u>Knoxville</u>	<u>TN</u>
City	State
	<u>37923</u>
	Zip Code

**B. Type of Ownership of Control (Check One)**

A. Sole Proprietorship	_____	F. Government (State of TN)	_____
B. Partnership	_____	or Political Subdivision)	_____
C. Limited Partnership	_____	G. Joint Venture	_____
D. Corporation (For Profit)	_____	H. Limited Liability Company	<u>X</u>
E. Corporation (Not-for-Profit)	_____	I. Other (Specify) _____	_____

Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence. Please provide documentation of the active status of the entity from the Tennessee Secretary of State's web-site at <https://tnbear.tn.gov/ECommerce/FilingSearch.aspx>. **Attachment Section A-4A.**

**Describe** the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% ownership (direct or indirect) interest.

**RESPONSE:** 100% of the LLC interests in Urologic Surgery Center of Knoxville, LLC will be owned by Tennessee Urology Associates, PLLC.

5. **Name of Management/Operating Entity (If Applicable)**

CUA Opco, LLC  
Name

25 Crossroads Drive, Suite 306  
Street or Route

Baltimore  
County

Owings Mills  
City

MD  
State

21117  
Zip Code

Website address: \_\_\_\_\_

**For new facilities or existing facilities** without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract. **Attachment Section A-5.**

6. **Legal Interest in the Site of the Institution** (Check One)

- |                              |                             |
|------------------------------|-----------------------------|
| A. Ownership _____           | D. Option to Lease <u>X</u> |
| B. Option to Purchase _____  | E. Other (Specify) _____    |
| C. Lease of ____ Years _____ |                             |

**Check appropriate line above:** For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements **must include** anticipated purchase price. Lease/Option to Lease Agreements **must include** the actual/anticipated term of the agreement **and** actual/anticipated lease expense. The legal interests described herein **must be valid** on the date of the Agency's consideration of the certificate of need application.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must** include:
  - a. Size of site (***in acres***);
  - b. Location of structure on the site;
  - c. Location of the proposed construction/renovation; and
  - d. Names of streets, roads or highway that cross or border the site.
- 2) Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. On an 8 1/2 by 11

sheet of paper or as many as necessary to illustrate the floor plan.

- 3) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**RESPONSE:** The site location is at a currently unaddressed site near the current southwest end of Global Way in the Century Park office district near the intersection of Pellissippi Parkway and Dutchtown Road in west Knoxville, and approximately 800 feet southwest of the intersection of Global Way and Century Park Boulevard. Given the proximity to the highway, the location is easily accessible for patients to reach.

**Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.**

**7. Type of Institution (Check as appropriate – more than one response may apply)**

- |  |          |  |       |
|--|----------|--|-------|
| A. Hospital (Specify) _____  | _____    | H. Nursing Home  | _____ |
| B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty        | _____    | I. Outpatient Diagnostic Center                            | _____ |
| C. ASTC, Single Specialty  | <u>X</u> | J. Rehabilitation Facility                                 | _____ |
| D. Home Health Agency  | _____    | K. Residential Hospice                                     | _____ |
| E. Hospice   | _____    | L. Non-Residential Substitution-Based Treatment Center for | _____ |
| F. Mental Health Hospital  | _____    | Opiate Addiction   | _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID | _____    | M. Other (Specify) _____                                   | _____ |

Check appropriate line(s).

**8. Purpose of Review (Check) as appropriate line(s) — more than one response may apply)**

- |   |          |   |       |
|---|----------|---|-------|
| A. New Institution  | <u>X</u> | F. Change in Bed Complement   | _____ |
| B. Modifying an ASTC with limitation still required per CON                               | _____    | [Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] | _____ |
| C. Addition of MRI Unit   | _____    | G. Satellite Emergency Dept.  | _____ |
| D. Pediatric MRI  | _____    | H. Change of Location   | _____ |
| E. Initiation of Health Care Service as defined in T.C.A. § 68-11-1607(4) (Specify) _____ | _____    | I. Other (Specify) _____  | _____ |

**9. Medicaid/TennCare, Medicare Participation**

MCO Contracts [Check all that apply]

\_\_\_ AmeriGroup \_\_\_ United Healthcare Community Plan \_\_\_ BlueCare \_\_\_ TennCare Select

Medicare Provider Number \_\_\_\_\_

Medicaid Provider Number \_\_\_\_\_

Certification Type \_\_\_\_\_

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare X Yes \_\_\_ No \_\_\_ N/A      Medicaid/TennCare X Yes \_\_\_ No \_\_\_ N/A

**10. Bed Complement Data N/A**

**A. Please indicate current and proposed distribution and certification of facility beds.**

		Current Licensed	Beds Staffed	Beds Proposed	*Beds Approved	**Beds Exempted	TOTAL Beds at Completion
1)	Medical						
2)	Surgical						
3)	ICU/CCU						
4)	Obstetrical						
5)	NICU						
6)	Pediatric						
7)	Adult Psychiatric						
8)	Geriatric Psychiatric						
9)	Child/Adolescent Psychiatric						
10)	Rehabilitation						
11)	Adult Chemical Dependency						
12)	Child/Adolescent Chemical Dependency						
13)	Long-Term Care Hospital						
14)	Swing Beds						
15)	Nursing Home -- SNF (Medicare only)						
16)	Nursing Home -- NF (Medicaid only)						
17)	Nursing Home -- SNF/NF (dually certified Medicare/Medicaid)						
18)	Nursing Home - Licensed (non-certified)						
19)	ICF/IID						
20)	Residential Hospice						
<b>TOTAL</b>							
*Beds approved by not yet in service				**Beds exempted under 10% per 3 year provision			

**B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. Attachment Section A-10.**

**C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.**

CON Number(s)	CON Expiration Date	Total Licensed Beds Approved




11. **Home Health Care Organizations** – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply: **N/A**

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

**12. Square Footage and Cost Per Square Footage Chart N/A - Project will be in leased space**

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
ASTC with 5 PRs and 2 ORs						13,035	13,035
Unit/Department GSF Sub-Total							
Other GSF Total							
Total GSF							
*Total Cost							
**Cost Per Square Foot							
					<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input type="checkbox"/> Above 3rd Quartile	<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input type="checkbox"/> Above 3rd Quartile	<input type="checkbox"/> Below 1st Quartile <input type="checkbox"/> Between 1st and 2nd Quartile <input type="checkbox"/> Between 2nd and 3rd Quartile <input checked="" type="checkbox"/> Above 3rd Quartile

\* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

\*\* Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

**13. MRI, PET, and/or Linear Accelerator N/A**

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

A. Complete the chart below for acquired equipment.

<input type="checkbox"/> Linear Accelerator	Mev _____ Types: _____ Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> SRS <input type="checkbox"/> IMRT <input type="checkbox"/> IGRT <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease      Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> MRI	Tesla: _____ Magnet: _____ Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> Breast <input type="checkbox"/> Extremity <input type="checkbox"/> Open <input type="checkbox"/> Short Bore <input type="checkbox"/> Other _____ <input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease      Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____
<input type="checkbox"/> PET	<input type="checkbox"/> PET only <input type="checkbox"/> PET/CT <input type="checkbox"/> PET/MRI Total Cost*: _____ <input type="checkbox"/> New <input type="checkbox"/> Refurbished	<input type="checkbox"/> By Purchase <input type="checkbox"/> By Lease      Expected Useful Life (yrs) _____ <input type="checkbox"/> If not new, how old? (yrs) _____

\* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of equipment lease, provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.
- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.
- D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
Fixed Site (Applicant)		
Mobile Locations (Applicant)		
(Name of Other Location)		
(Name of Other Location)		

- E. Identify the clinical applications to be provided that apply to the project.
- F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

## **SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with T.C.A. § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

### **QUESTIONS**

#### **SECTION B: NEED**

- A. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

**RESPONSE:** The applicant's responses to the applicable State Health Plan's ASTC Criteria and Standards are set forth below:

#### **Determination of Need**

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.<sup>1</sup> An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

**RESPONSE:** The applicant's ASTC will serve only the patients and physicians of Tennessee Urology Associates, PLLC ("TUA"); it is applying for a CON to be a Specialty ASTC. TUA employs 18 physicians, 17 of whom are board-certified by the American Board of Urology. It will be a Specialty ASTC, limited to the specialty of urology, and limited to use by physicians

<sup>1</sup> The Division recognizes that estimated or average cleanup/preparation times and Case times may vary significantly by specialty and type of Case.

employed by TUA. This application addresses need and economic efficiencies under Standard No. 5 below.

TUA operates four physician offices in Knox County and two in Anderson County, and one each in Loudon and Roane Counties. Its physicians perform thousands of urological surgical cases and procedures each year. Many of these procedures are currently done in TUA's own offices. The applicant believes that the consolidation of many of these cases and procedures in this dedicated, single-specialty ASTC will yield benefits to patients and physicians from increased efficiencies, consolidated staffing, lower costs, and the capability to deliver a wider range of outpatient urological surgical services in a dedicated urological ASTC.

As shown below, this CON application justifies the establishment of an ASTC comprised of two operating rooms, five procedure rooms, and support space. The applicant projects that the TUA physicians will perform in excess of 884 cases per operating room and in excess of 1,867 total procedure room procedures in this ASTC, thereby justifying two operating rooms and five procedure rooms under the SHP's criteria and standards.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

**RESPONSE:** As noted above, the proposed ASTC will have 5 procedure rooms and only 2 operating rooms. Many more surgeries will be done in the procedure rooms of the ASTC than in the operating rooms. The available procedure room at Parkwest ASTC was utilized at a rate (74.9% of full capacity, according to its 2017 JAR) well in excess of the optimum utilization rate of 70% set forth in the State Health Plan for an ASTC procedure room. There are currently no licensed ASTCs in Roane and Loudon Counties; there is one nonspecialized ASTC in Anderson County with four ORs and a single procedure room. This ASTC reports no urology utilization in 2017, and its OR utilization of 65.6% (reported on its 2017 JAR) approaches the 70% utilization level that the SHP deems to be optimum with no reported utilization by urologists.

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

**RESPONSE:** This criterion is satisfied by the project: the majority of the population in Knox and Anderson, Loudon and Roane Counties resides within a 60-minute driving time from the project's location in western Knox County.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

**RESPONSE:** Public transportation in Knox County is provided by Knoxville Area Transit ("KAT"). KAT does not provide bus or trolley service to the proposed project's location.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identify of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** Based on TUA's experience, the applicant projects that the majority of its patients will come from the four service area counties, in the following approximate percentages of the ASTC's projected utilization:

Knox:	30%
Anderson:	14%
Roane:	8%
Loudon:	8%
Total %:	60%

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** The applicant's projected utilization for each of its first eight quarters of operation is set forth below, along with its methodology for projecting utilization.

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organizations.<sup>2</sup>

**RESPONSE:** The applicant anticipates that its ASTC proposed here will be accredited by the Accreditation Association of Ambulatory Health Care.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**RESPONSE:** Utilization of this ASTC will be limited to physicians employed by Tennessee Urology Associates, PLLC. Currently, Tennessee Urology Associates employs 18 such physicians.

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<sup>2</sup> The Division recognizes that not all ASTCs can be CMS certified or accredited.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application is evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care." the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Service Administration;
- b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;
- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or
- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

**RESPONSE:** This project is subject to (c) above. The applicant will provide ambulatory surgical treatment center services to patients 18 and over. It will participate in the Medicare program and will contract with a TennCare MCO.

B. Describe the relationship of this project to the applicant facility's long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

**RESPONSE:** The ASTC whose development is proposed in this CON application is the only ASTC currently proposed to be built by the applicant. It will serve the physicians and patients of Tennessee Urology Associates, PLLC. The establishment and development of this ASTC constitute the current long-range development plan for the applicant.

C. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment Section B - Need-C.**

**RESPONSE:** The service area proposed for this project consists of Knox, Anderson, Loudon and Roane Counties. Knox and Anderson are two of the most populous counties in this area of Tennessee. The total service area population for these four counties is approximately 668,275, of whom 477,780 (71.5%) reside in Knox County. This project will be located in western Knox County just north of Interstate 40, and close to the Pellissippi Parkway. Tennessee Urology Associates has four offices in Knox, two offices in Anderson, one office in Loudon, and one office in Roane counties.

Tennessee Urology Associates has served the population of the service area counties for many years. The majority of the patients for the proposed surgery center will come from the four-county service area. Therefore, given its proposed location in western Knox County, only a few miles from the county line for each of the three other service area counties, the proposed project's service area is reasonable. These factors demonstrate that it satisfies the HSDA's requirement for a reasonable service area. The requested service area map is attached hereto. The projected utilization of the proposed ASTC by the residents of Knox, and Anderson, Loudon and Roane Counties has also been set forth below.

Please complete the following tables, if applicable:

Service Area Counties	Historical Utilization-County Residents	% of total procedures
County #1		
County #2		
Etc.		
Total		100%

Service Area Counties	Projected Utilization-County Residents	% of total procedures
County #1		
County #2		
Etc.		
Total		100%

**RESPONSE:** The applicant will be a new ASTC; it has no historical utilization. Its projected utilization is set forth below:

Service Area Counties	Projected Utilization-County Residents	% of total procedures
Knox	2,796	30.1%
Anderson	1,347	14.5%
Loudon	780	8.4%
Roane	780	8.4%
Total	5,703	61.4%





- D. 1). a) Describe the demographics of the population to be served by the proposal.

**RESPONSE:** Tennessee Urology Associates serves the urological needs of all ages, except for patients ages 17 and below. As a matter of course, it does not provide pediatric urology services. The TennCare enrollee percentages for Anderson and Roane counties are higher than the percentage for the state's population.

The population data for the service area counties, Knox and Anderson, excluding ages 17 and below, are set forth in the table below, under (b).

- b) Using current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census				TennCare	
	Total Population - Current Year	Total Population - Projected Year	Total Population-% Change	*Target Population-Current Year	*Target Population-Project Year	*Target Population-% Change	Target Population Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
County A													
County B, etc.													
Service Area Total													
State of TN Total													

\* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

**RESPONSE:** The requested data and table are set forth on the following page:

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census*				TennCare	
	Total Population - Current Year	Total Population - Projected Year	Total Population-% Change	*Target Population- Current Year	*Target Population- Project Year	*Target Population- % Change	Target Population as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
Knox County	477,780	499,078	4.5%	372,202	389,105	4.5%	78%	37.3	50,366	74,821	15.6%	77,890	16.3%
Anderson County	78,387	79,730	1.7%	62,000	63,423	2.3%	79.5%	43.3	44,241	13,116	16.7%	16,223	20.7%
Loudon County	56,118	59,673	6.3%	45,920	49,216	7.2%	82.5%	47.2	52,995	7,576	13.5%	9,354	16.7%
Roane County	55,990	57,022	1.8%	45,150	46,755	3.6%	82%	46.3	42,299	9,070	16.2%	11,589	20.7%
Service Area Total	668,275	695,503	4.1%	525,272	548,499	4.4%	78.9%			104,583	15.7%	115,056	17.2%
State of TN Total	6,960,524	7,263,943	4.4%	5,367,167	5,624,053	4.8%	77.48%	38.5	48,547**	1,155,149	17.2%	1,446,799	20.8%

\*2017 Bureau of Census data from American Factfinder      \*\*2016 ACS Census Bureau Data

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**RESPONSE:** Both Tennessee Urology Associates and the applicant, which will be limited to serving the patients of Tennessee Urology Associates, serve the urological health needs of patients 18 and over. TUA physicians are TennCare providers. TUA physicians provide significant medical services to female patients, as well as to elderly patients with urological problems.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

**RESPONSE:** While the Tennessee Department of Health's website lists 15 ASTCs currently licensed in Knox County and 2 ASTCs currently licensed in Anderson County (and no ASTCs currently licensed in Roane and Loudon Counties), 12 of those licensed ASTCs are specialty ASTCs providing only certain services such as endoscopic or ophthalmological services. Currently there is no licensed ASTC in the proposed service area which is dedicated to urological services. The five licensed ASTCs in the service area currently that are not so limited in service are listed and analyzed in the table below. As shown below, only one such ASTC had urologists on-staff in 2017 (Children's West ASTC--none of those urologists on its staff were TUA employees) and indicated delivery of urological surgical services.

More critically, these five ASTCs provide only two procedure rooms--one in Knox County at Parkwest ASTC, and one in Anderson County at Advanced Family ASTC. As shown in the chart, the only such procedure room in Knox County (at Parkwest ASTC) was utilized in 2017 at 74.9% of full capacity. This high utilization of the only available ASTC procedure room in Knox County is in excess of the 70% standard for "optimum utilization" of procedure rooms set forth in the State Health Plan. These data demonstrate need for the establishment of the ASTC described in this CON application.

**Data of Non-Specialized ASTCs in the Service Area**

ASTC	No. of ORs	OR Cases	No. of Proc. Rms	Proc. Rm. Procs.	Urologists Staff	OR% Util.*	PR% Util.*
<b>2017</b>							
<b>Knox County</b>							
Ft. Sanders ASTC	4	2,414	0	0	0	48%	0
Parkwest ASTC	5	3,429	1	1,997	0	54.3%	74.9%
Physicians' Surgical Ctr.	5	4,253	0	0	0	67.4%	0
Children's West ASTC	3	5,116	0	0	3	135%	0
<b>Anderson County</b>							
Advanced Family ASTC	4	3,314	1	0	0	65.6%	0

2016							
<b>Knox County</b>							
Ft. Sanders West	4	2,291	0	0	0	65%	0
Parkwest ASTC	5	3,580	1	2,683	0	56.7%	101%
Physicians' Surg. Ctr.	5	4,881	0	0	3	77.3%	0
Children's West ASTC	3	4,903	0	0	2	130%	0
<b>Anderson County</b>							
Advanced Family ASTC	4	3,383	1	0	0	67%	0
2015							
<b>Knox County</b>							
Ft. Sanders West	4	2,282	0	0	0	45.17%	0
Parkwest ASTC	5	3,625	1	2,270	0	57.4%	85.1%
Physicians' Surg. Ctr.	5	4,472	0	0	3	70.82%	0
Children's West ASTC	3	4,534	0	0	2	119.66%	0
<b>Anderson County</b>							
Advanced Family ASTC	4	3,735	1	0	0	73.93%	0

Data Source: 2015-2017 JARs.

\*Reported utilization volume as a percentage of "Full Capacity" volume set forth in the State Health Plan's criteria and Standards for ASTCs.

- F. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**RESPONSE:** The applicant proposes a new facility; it has no prior utilization. Its projected utilization for its first two years of operation are set forth below, as is its methodology used to project utilization.

Projected Utilization by Quarter

	Year 1	Year 2
Quarter 1	2,322	2,380
Quarter 2	2,322	2,380
Quarter 3	2,323	2,381
Quarter 4	2,323	2,381

The physicians of TUA have active medical practices of long standing in the service area, and they plan to have their main office in the new MOB which will house this ASTC. Thus, they project that they will utilize this ASTC fully when it is established and licensed. They do not anticipate a long ramp-up time, as shown by their projected quarterly utilization the first two years of ASTC operations set forth in the table above.

## **SECTION B: ECONOMIC FEASIBILITY**

A. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- 1) All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)

**RESPONSE:** The applicant is paying a Filing Fee of \$69,041.

- 2) The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

**RESPONSE:** The fixed and moveable equipment for this ASTC is being contributed by CUA Opco, LLC, the management company for the project. CUA Opco, LLC has provided the values listed for these items of equipment.

- 3) The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.

**RESPONSE:** The fixed and moveable equipment for this ASTC is being contributed by CUA Opco, LLC, the management company for the project. CUA Opco, LLC has provided the values listed for these items of equipment.

- 4) Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.

**RESPONSE:** The applicant will lease the space for the Project.

- 5) For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:

- a) A general description of the project;
- b) An estimate of the cost to construct the project;
- c) A description of the status of the site's suitability for the proposed project; and
- d) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

**RESPONSE:** The requested architectural letter will be provided.

## PROJECT COST CHART

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	228,113
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	125,000
3.	Acquisition of Site	--
4.	Preparation of Site	--
5.	Construction Costs	2,281,125
6.	Contingency Fund	228,113
7.	Fixed Equipment (Not included in Construction Contract)	175,000
8.	Moveable Equipment (List all equipment over \$50,000)	355,000
9.	Other (Specify) _____	--
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	8,614,852
2.	Building only	---
3.	Land only	---
4.	Equipment (Specify) _____	---
5.	Other (Specify) _____	---
C.	Financing Costs and Fees:	
1.	Interim Financing	---
2.	Underwriting Costs	---
3.	Reserve for One Year's Debt Service	---
4.	Other (Specify) _____	---
D.	Estimated Project Cost (A+B+C)	12,007,202
E.	CON Filing Fee	69,041
F.	Total Estimated Project Cost (D+E)	12,076,243
	<b>TOTAL</b>	12,076,243

B. Identify the funding sources for this project.

Check the applicable item(s) below and briefly summarize how the project will be financed. **(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment Section B-Economic Feasibility-B.)**

- ☐ 1) Commercial loan – Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ 2) Tax-exempt bonds – Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ 3) General obligation bonds – Copy of resolution from issuing authority or minutes from the appropriate meeting;
- ☐ 4) Grants – Notification of intent form for grant application or notice of grant award;
- ☒ 5) Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- ☐ 6) Other – Identify and document funding from all other sources.

**RESPONSE:** The requested funding letter is attached from Steve Bass, Chief Financial Officer for CUA Opco, LLC. The requested financial statements are attached to this application.

C. Complete Historical Data Charts on the following two pages—**Do not modify the Charts provided or submit Chart substitutions!**

Historical Data Chart represents revenue and expense information for the last *three (3)* years for which complete data is available. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*



# HISTORICAL DATA CHART N/A

- ☐ Total Facility  
☐ Project Only

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in \_\_\_\_\_ (Month).

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)			
B. Revenue from Services to Patients			
1. Inpatient Services	\$	\$	\$
2. Outpatient Services			
3. Emergency Services			
4. Other Operating Revenue (Specify) _____			
<b>Gross Operating Revenue</b>	\$	\$	\$
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$	\$	\$
2. Provision for Charity Care			
3. Provisions for Bad Debt			
<b>Total Deductions</b>	\$	\$	\$
<b>NET OPERATING REVENUE</b>	\$	\$	\$
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care			
b. Non-Patient Care			
2. Physician's Salaries and Wages			
3. Supplies			
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
6. Other Operating Expenses			
<b>Total Operating Expenses</b>	\$	\$	\$
<b>E. Earnings Before Interest, Taxes and Depreciation</b>	\$	\$	\$
F. Non-Operating Expenses			
1. Taxes	\$	\$	\$
2. Depreciation			
3. Interest			
4. Other Non-Operating Expenses			
<b>Total Non-Operating Expenses</b>	\$	\$	\$
<b>NET INCOME (LOSS)</b>	\$	\$	\$
Chart Continues Onto Next Page			

	Year _____	Year _____	Year _____
<b>NET INCOME (LOSS)</b>	\$	\$	\$
G. Other Deductions			
1. Annual Principal Debt Repayment	\$	\$	\$
2. Annual Capital Expenditure			
<b>Total Other Deductions</b>	\$	\$	\$
<b>NET BALANCE</b>	\$	\$	\$
<b>DEPRECIATION</b>	\$	\$	\$
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	\$	\$	\$

- ☐ Total Facility  
☐ Project Only

### HISTORICAL DATA CHART-OTHER EXPENSES

	Year _____	Year _____	Year _____
<b>OTHER EXPENSES CATEGORIES</b>			
1. Professional Services Contract	\$	\$	\$
2. Contract Labor			
3. Imaging Interpretation Fees			
4. _____			
5. _____			
6. _____			
7. _____			
<b>Total Other Expenses</b>	\$	\$	\$

- D. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should include any management fees paid by agreement to third party entities not having common ownership with the applicant.*

# PROJECTED DATA CHART

- ☐ Total Facility  
☐ Project Only

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year <u>1</u>	Year <u>2</u>
<b>A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)</b>		
Cases	2,485	2,547
Procedures	6,805	6,975
<b>B. Revenue from Services to Patients</b>		
1. Inpatient Services	\$--	\$--
2. Outpatient Services	17,433,226	17,869,057
3. Emergency Services		
4. Other Operating Revenue (Specify) _____		
<b>Gross Operating Revenue</b>	<b>\$17,433,226</b>	<b>\$17,869,057</b>
<b>C. Deductions from Gross Operating Revenue</b>		
1. Contractual Adjustments	\$10,991,520	\$11,266,308
2. Provision for Charity Care	386,502	396,165
3. Provisions for Bad Debt	96,626	99,041
<b>Total Deductions</b>	<b>\$11,474,648</b>	<b>\$11,761,514</b>
<b>NET OPERATING REVENUE</b>	<b>\$5,958,578</b>	<b>\$6,107,542</b>
<b>D. Operating Expenses</b>		
1. Salaries and Wages		
a. Direct Patient Care	1,334,055	1,360,736
Non-Patient Care	144,669	147,562
b. Clinical Support Expenses	297,929	305,377
2. Physician's Salaries and Wages	--	--
3. Supplies	1,811,848	1,857,144
4. Rent		
a. Paid to Affiliates	--	--
b. Paid to Non-Affiliates	498,158	508,121
5. Management Fees:		
a. Paid to Affiliates	357,515	366,453
b. Paid to Non-Affiliates	--	--
6. Other Operating Expenses	533,791	535,281
<b>Total Operating Expenses</b>	<b>\$4,977,964</b>	<b>\$5,080,674</b>
<b>E. Earnings Before Interest, Taxes and Depreciation</b>	<b>\$</b>	<b>\$</b>
<b>F. Non-Operating Expenses</b>		
1. Taxes	\$	\$
2. Depreciation		
3. Interest		
4. Other Non-Operating Expenses		
<b>Total Non-Operating Expenses</b>	<b>\$</b>	<b>\$</b>
<b>NET INCOME (LOSS)</b>	<b>\$980,613</b>	<b>\$1,026,868</b>
<i>Chart Continues Onto Next Page</i>		

	Year 1	Year 2
<b>NET INCOME (LOSS)</b>	\$980,613	\$1,026,868
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
<b>Total Other Deductions</b>	\$	\$
<b>NET BALANCE</b>	\$980,613	\$1,026,868
<b>DEPRECIATION</b>	\$	\$
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	\$980,613	\$1,026,868

- ☐ Total Facility  
☐ Project Only

#### PROJECTED DATA CHART-OTHER EXPENSES

	Year 1	Year 2
<b>OTHER EXPENSES CATEGORIES</b>		
1. Professional Services Contract	\$	\$
2. Contract Labor		
3. Imaging Interpretation Fees		
4. Billing and Reimbursement Group	224,935	224,935
5. Call Center Operations	124,302	124,302
6. Administrative Office Expenses	59,586	61,075
7. Human Resources	43,472	43,472
8. Marketing	38,038	38,038
9. Information Technology	43,458	43,458
<b>Total Other Expenses</b>	\$533,791	\$535,281

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )					
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )					
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )					

**RESPONSE:** The requested chart is filled out below:

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )			\$1,877	\$1,877	
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )			\$1,235	\$1,235	
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )			\$641	\$641	

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**RESPONSE:** The proposed charges for the project are based on the practice's historical case and charge data. Deductions from revenue are based on the practice's historical collection rates. Gross and net charges are projected to increase at 2.5% per year.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**RESPONSE:** The average gross charge for a case/procedure performed at each of the five nonspecialized ASTCs in the service area is set forth below:

ASTC	2017 Total Cases + Procedures	2017 Average Charge
Advanced Family Surgery Center	3,314	\$6,421
Children's West Surgery Center	5,116	2,896
Ft. Sanders West Surgery Center	2,414	3,362
Parkwest Surgery Center	5,426	7,878
Physicians Surgery Center	4,253	7,387

Thus, the average projected gross charge for a surgical case/procedure done at the ASTC proposed in this CON application compares favorably to average gross charges for a case/procedure performed at any of the nonspecialized surgery centers in the service area proposed for the Project.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1**. **NOTE: Publicly held entities only need to reference their SEC filings.**

**RESPONSE:** As outlined in the Projected Data Chart, the ASTC is expected to be profitable and attain a positive cash flow in the first year of its operations.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio					

**RESPONSE:** The requested net operating margin ratio chart is set forth below:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio				11.4%	11.8%

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's

audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

**RESPONSE:** CUA Opco, LLC's capitalization ratio is 46%.

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care		
TennCare/Medicaid		
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Worker's Compensation)		
Total		

**RESPONSE:** The practice expects to contract with governmental payors, and projects that its payor mix will not change meaningfully. The requested chart responses are set forth below:

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care	8,371,290	48.0%
TennCare/Medicaid	217,915	1.25%
Commercial/Other Managed Care	7,787,129	44.7%
Self-Pay	1,297	0.0%
Charity Care	828,078	4.75%
Other (Worker's Compensation)	123,929	0.7%
Total	17,433,226	100.0%

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.



Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>a) Direct Patient Care Positions</b>				
<i>Position 1</i>				
<i>Position 2</i>				
<b>Total Direct Patient Care Positions</b>				

<b>b) Non-Patient Care Positions</b>				
<i>Position</i>				
<i>Position</i>				
<b>Total Non-Patient Care Positions</b>				
<b>Total Employees (A+B)</b>				
<b>c) Contractual Staff</b>				
<b>Total Staff (a+b+c)</b>				

**RESPONSE:** The requested employee data are set forth in the requested charts below:

Position Classification	Existing FTEs (enter year)	Projected FTEs Year 1	Average Wage (Contractual Rate)	Area Wide/Statewide Average Wage
<b>a) Direct Patient Care Positions</b>				
<i>Registered Nurse</i>		12	99,839	56,700
<i>Surgical Technician</i>		2	39,100	39,100
<i>X-Ray Technician</i>		1	57,792	49,430
<b>Total Direct Patient Care Positions</b>		15	88,937	53,869

<b>b) Non-Patient Care Positions</b>				
<i>Administrative Support</i>		3	48,223	26,920
<b>Total Non-Patient Care Positions</b>		3	48,223	26,920
<b>Total Employees (A+B)</b>		18	82,151	49,377
<b>c) Contractual Staff</b>		0		
<b>Total Staff (a+b+c)</b>	0	18	82,151	49,377

I. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- 1) Discuss the availability of less costly, more effective and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, justify why not, including reasons as to why they were rejected.

**RESPONSE:** TUA is utilizing this approach to providing these surgical benefits to its patients in order to make its delivery of these services more efficient by placing them in a specialized ASTC committed to urologic surgical cases and procedures only, built for these purposes, and controlled by urologists.

- 2) Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

**RESPONSE:** Among the reasons TUA has chosen the development of this ASTC is that, the ASTC will be built in the new building that will also contain TUA's main offices and additional offices for TUA's urologic physicians.

## **SECTION B: CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

A. List all existing health care providers (i.e., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

**RESPONSE:** The applicant plans to have transfer agreements with area hospitals.

B. Describe the effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

- 1) **Positive Effects**

**RESPONSE:** The applicant asserts that this project will have several positive effects on the healthcare system. It will be the first outpatient surgery center dedicated to urological surgical services in the service area. This will enable highly efficient delivery of urologic outpatient surgical services to the patients of one of the largest urological groups in east Tennessee. Given that most of the surgical procedures to be done in the Project will be drawn from the physician offices of TUA, the procedure room volume at the Project should not materially affect the hospitals or ASTCs in the service area. The outpatient surgical volume done in the operating rooms in the Project is projected to reduce the cost of the facility fees that such patients experience currently. Given that there is very limited urological utilization in the service area ASTCs, the impact of this project on the ASTCs of the service area will be very limited, while it will increase the availability of outpatient urological surgical services in the service area.

- 2) **Negative Effects**

**RESPONSE:** The applicant projects that the negative effects from the establishment of this ASTC in the local healthcare system in the service area will be limited. Population growth and the general economic development of the service area, as it contributes to the increase of

population in the service area, should generate additional surgical business for all providers in the service area, including other urologists and other healthcare facilities.

- C. 1) Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

**RESPONSE:** Because TUA's physicians have served this area for many years and have developed physicians' offices in which many of these outpatient surgical procedures have been done, they will be able to call upon experienced nurses, techs, and CRNAs they have previously worked with to assist in staffing this ASTC.

- 2) Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

**RESPONSE:** The applicant so verifies.

- 3) Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**RESPONSE:** The applicant does not currently plan to have such training activities.

- D. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Certification Type (e.g. Medicare SNF, Medicare LTAC, etc.):

Accreditation (i.e., Joint Commission, CARF, etc.):

**RESPONSE:** The applicant has reviewed the applicable licensure and certification requirements and understands them. It plans to be licensed as an ASTC by the Tennessee Board for Licensing Health Care Facilities, and to be accredited by the AAAHC.

- 1) If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

**RESPONSE:** N/A

- 2) For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

**RESPONSE:** N/A

- 3) Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil

monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- a) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

**RESPONSE:** N/A

E. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

1) Has any of the following:

- a) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
- b) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
- c) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

**RESPONSE:** No.

2) Been subjected to any of the following:

- a) Final Order or Judgment in a state licensure action;

**RESPONSE:** No.

- b) Criminal fines in cases involving a Federal or State health care offense;

**RESPONSE:** No.

- c) Civil monetary penalties in cases involving a Federal or State health care offense;

**RESPONSE:** No.

- d) Administrative monetary penalties in cases involving a Federal or State health care offense;

**RESPONSE:** No.

- e) Agreement to pay civil or administrative monetary penalties to the federal government or any state in cases involving claims related to the provision of health care items and services; and/or

**RESPONSE:** No.

- f) Suspension or termination of participation in Medicare or Medicaid/TennCare programs.

**RESPONSE:** No.

- g) Is presently subject of/to an investigation, regulatory action, or party in any civil or criminal action of which you are aware.

**RESPONSE:** No.

- h) Is presently subject to a corporate integrity agreement.

**RESPONSE:** No.

F. Outstanding Projects: **N/A**

- 1) Complete the following chart by entering information for each applicable outstanding CON by applicant or share common ownership; and

Outstanding Projects					
CON Number	Project Name	Date Approved	*Annual Progress Report(s)		Expiration Date
			Due Date	Date Filed	

\* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

- 2) Provide a brief description of the current progress, and status of each applicable outstanding CON.

**RESPONSE:** N/A

G. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

- 1) Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)? No
- 2) If yes, have you submitted their registration to HSDA? If you have, what was the date of submission? \_\_\_\_\_
- 3) If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission? \_\_\_\_\_

## **SECTION B: QUALITY MEASURES**

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

**RESPONSE:** The applicant will report its quality results to the HSDA as the HSDA requests.

## **SECTION C: STATE HEALTH PLAN QUESTIONS**

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

A. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

**RESPONSE:** This Project will assist in the improvement of the healthcare of the people of the service area of east Tennessee. This Project provides a dedicated outpatient surgical facility for specialized services in urological surgery cases and procedures.

B. People in Tennessee should have access to health care and the conditions to achieve optimal health.

**RESPONSE:** This Project will increase access to healthcare by providing a new type of healthcare institution in the service area: one that is dedicated to the delivery of outpatient urological surgical services to patients.

C. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

**RESPONSE:** This Project is projected to increase economic efficiencies in the provision of urological surgical care. It is highly focused on increasing the number of procedure rooms that are available for the delivery of outpatient urological surgical care, and will also provide a significant capability to deliver urological outpatient operating room care and surgical cases. It will increase economic efficiencies by giving patients who are seeking a less expensive way of obtaining outpatient surgical case services to experience them in a dedicated and efficient ASTC dedicated to urological surgical services.

D. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

**RESPONSE:** The Project will be dedicated to urological surgical care. It will be limited to urologists who practice with Tennessee Urology Associates, PLLC, a long-standing group of urological physicians in east Tennessee that has 18 total physicians, 17 of whom are board certified. The Project will be

licensed by the Tennessee Board of Licensing Healthcare Facilities, and will seek accreditation from the AAAHC.

- E. The state should support the development, recruitment, and retention of a sufficient and quality health workforce.

**RESPONSE:** The Project will be managed by CUA Opco, LLC, an experienced manager of urological surgery centers and medical practices. Given CUA Opco, LLC's significant experience in managing a number of other ASTCs in other states, it will be able to assist in the development, recruitment and retention of a sufficient, quality health force for staffing of this surgery center in east Tennessee.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper that includes a copy of the publication as proof of the publication of the letter of intent.

## NOTIFICATION REQUIREMENTS

### **(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)**

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

## DEVELOPMENT SCHEDULE

T.C.A. §68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

Complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.



## PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	<u>Days Required</u>	<u>Anticipated Date [Month/Year]</u>
1. Initial HSDA decision date		
2. Architectural and engineering contract signed		
3. Construction documents approved by the Tennessee Department of Health		
4. Construction contract signed		
5. Building permit secured		
6. Site preparation completed		
7. Building construction commenced		
8. Construction 40% complete		
9. Construction 80% complete		
10. Construction 100% complete (approved for occupancy		
11. *Issuance of License		
12. *Issuance of Service		
13. Final Architectural Certification of Payment		
14. Final Project Report Form submitted (Form HR0055)		

\*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

**NOTE:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

## APPENDIX

**Attachment Section A-4A**



**Tre Hargett**  
Secretary of State

**Division of Business Services**  
**Department of State**  
State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

Urologic Surgery Center of Knoxville, LLC  
STE 306  
25 CROSSROADS DR  
OWINGS MILLS, MD 21117-5437

July 6, 2018

### Filing Acknowledgment

Please review the filing information below and notify our office immediately of any discrepancies.

**Control # : 955598**      Status: Active  
Filing Type: Limited Liability Company - Domestic

#### Document Receipt

Receipt # : 004177369	Filing Fee:	\$20.00
Payment-Check/MO - CFS-1, NASHVILLE, TN		\$20.00

Amendment Type: Articles of Amendment  
Filed Date: 07/06/2018 3:12 PM

Image # : B0538-7658


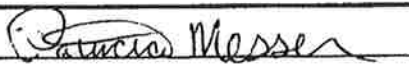
This will acknowledge the filing of the attached articles of amendment with an effective date as indicated above. When corresponding with this office or submitting documents for filing, please refer to the control number given above.

You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee.

Tre Hargett  
Secretary of State

Processed By: Alex Maxfield

Field Name	Changed From	Changed To
Filing Name	Summit Ambulatory Surgical Center - Knoxville, LLC	Urologic Surgery Center of Knoxville, LLC

<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: center;">  <p><b>State of Tennessee</b> Department of State Corporate Filings 312 Rosa L. Parks Ave. 6th Floor, William R. Snodgrass Tower Nashville, TN 37243</p> </div> <div style="text-align: center;"> <p><b>ARTICLES OF AMENDMENT TO ARTICLES OF ORGANIZATION (LLC)</b></p> </div> </div>	<p style="text-align: center; font-size: small;">For Office Use Only</p> <div style="text-align: center; font-size: 2em; font-weight: bold; margin-top: 20px;">FILED</div>
<p>LIMITED LIABILITY COMPANY CONTROL NUMBER (IF KNOWN) <u>000955598</u></p> <p>PURSUANT TO THE PROVISIONS OF §48-209-104 OF THE TENNESSEE LIMITED LIABILITY COMPANY ACT OR §48-249-204 OF THE TENNESSEE REVISED LIMITED LIABILITY COMPANY ACT, THE UNDERSIGNED ADOPTS THE FOLLOWING ARTICLES OF AMENDMENT TO ITS ARTICLES OF ORGANIZATION:</p>	
<p>PLEASE MARK THE BLOCK THAT APPLIES:</p> <p><input checked="" type="checkbox"/> AMENDMENT IS TO BE EFFECTIVE WHEN FILED BY THE SECRETARY OF STATE.</p> <p><input type="checkbox"/> AMENDMENT IS TO BE EFFECTIVE _____ (DATE) _____ (TIME).</p> <p>(NOT TO BE LATER THAN THE 90TH DAY AFTER THE DATE THIS DOCUMENT IS FILED.) IF NEITHER BLOCK IS CHECKED, THE AMENDMENT WILL BE EFFECTIVE AT THE TIME OF FILING.</p>	
<p>1. PLEASE INSERT THE NAME OF THE LIMITED LIABILITY COMPANY AS IT APPEARS ON RECORD: <u>Summit Ambulatory Surgical Center - Knoxville, LLC</u></p> <p>IF CHANGING THE NAME, INSERT THE NEW NAME ON THE LINE BELOW:</p> <p style="text-align: center;"><u>Urologic Surgery Center of Knoxville, LLC</u></p>	
<p>2. PLEASE INSERT ANY CHANGES THAT APPLY:</p> <p>A. PRINCIPAL ADDRESS: <u>N/A</u></p> <p style="text-align: center;">STREET ADDRESS</p> <hr/> <p style="display: flex; justify-content: space-between;"> <span>CITY</span> <span>STATE/COUNTY</span> <span>ZIP CODE</span> </p> <p>B. REGISTERED AGENT: <u>N/A</u></p> <p>C. REGISTERED ADDRESS: _____</p> <p style="text-align: center;">STREET</p> <p style="text-align: center;">TN</p> <hr/> <p style="display: flex; justify-content: space-between;"> <span>CITY</span> <span>STATE</span> <span>ZIP CODE</span> <span>COUNTY</span> </p> <p>D. OTHER CHANGES: <u>N/A</u></p>	
<p>3. THE AMENDMENT WAS DULY ADOPTED ON <u>July</u> <u>6</u> <u>2018</u></p> <p style="text-align: center;">MONTH DAY YEAR</p> <p>(If the amendment is filed pursuant to the provision of §48-209-104 of the TN LLC Act, please also complete the following by checking one of the two boxes:) AND THE AMENDMENT WAS DULY ADOPTED BY THE</p> <p><input type="checkbox"/> BOARD OF GOVERNORS WITHOUT MEMBER APPROVAL AS SUCH WAS NOT REQUIRED</p> <p><input checked="" type="checkbox"/> MEMBERS</p>	
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>Organizer _____</p> <p>SIGNER'S CAPACITY</p> </div> <div style="width: 50%; text-align: center;">  <p>SIGNATURE</p> <p>Patricia L. Messer</p> <p>NAME OF SIGNER (TYPED OR PRINTED)</p> </div> </div>	
<div style="display: flex; justify-content: space-between;"> <p>SS-4247 (REV. 01/06)</p> <p>Filing Fee: \$20.00</p> <p>RDA 2458</p> </div>	

80538-7658 07/06/2018 3:12 PM Received by Tennessee Secretary of State The Heritage



**Tre Hargett**  
Secretary of State

**Division of Business Services**  
**Department of State**

State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

Summit Ambulatory Surgical Center - Knoxville, LLC  
STE 306  
25 CROSSROADS DR  
OWINGS MILLS, MD 21117-5437

March 29, 2018

**Filing Acknowledgment**

Please review the filing information below and notify our office immediately of any discrepancies.

SOS Control # :	000955598	Formation Locale:	TENNESSEE
Filing Type:	Limited Liability Company - Domestic	Date Formed:	03/29/2018
Filing Date:	03/29/2018 3:17 PM	Fiscal Year Close:	12
Status:	Active	Annual Report Due:	04/01/2019
Duration Term:	Perpetual	Image # :	B0525-1999
Managed By:	Manager Managed		
Business County:	KNOX COUNTY		

**Document Receipt**

Receipt # : 003976176	Filing Fee:	\$300.00
Payment-Credit Card - State Payment Center - CC #: 3725681182		\$300.00

Registered Agent Address:  
C T CORPORATION SYSTEM  
300 MONTVUE RD  
KNOXVILLE, TN 37919-5546

Principal Address:  
STE 112  
9041 EXECUTIVE PARK DR  
KNOXVILLE, TN 37923-4603

Congratulations on the successful filing of your Articles of Organization for Summit Ambulatory Surgical Center - Knoxville, LLC in the State of Tennessee which is effective on the date shown above. You must also file this document in the office of the Register of Deeds in the county where the entity has its principal office if such principal office is in Tennessee. Please visit the Tennessee Department of Revenue website ([apps.tn.gov/bizreg](http://apps.tn.gov/bizreg)) to determine your online tax registration requirements. If you need to obtain a Certificate of Existence for this entity, you can request, pay for, and receive it from our website.

You must file an Annual Report with this office on or before the Annual Report Due Date noted above and maintain a Registered Office and Registered Agent. Failure to do so will subject the business to Administrative Dissolution/Revocation.

Tre Hargett  
Secretary of State



000955598

**ARTICLES OF ORGANIZATION  
LIMITED LIABILITY COMPANY**

SS-4270

**Tre Hargett**  
Secretary of State**Division of Business Services  
Department of State**  
State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102  
(615) 741-2286Filing Fee: \$50.00 per member  
(minimum fee = \$300.00, maximum fee = \$3,000.00)

For Office Use Only

**-FILED-**

Control # 000955598

**The Articles of Organization presented herein are adopted in accordance with the provisions of the Tennessee Revised Limited Liability Company Act.****1. The name of the Limited Liability Company is:** Summit Ambulatory Surgical Center - Knoxville, LLC

(Note: Pursuant to the provisions of T.C.A. §48-249-106, each Limited Liability Company name must contain the words "Limited Liability Company" or the abbreviation "LLC" or "L.L.C.")

**2. Name Consent: (Written Consent for Use of Indistinguishable Name)**☐ This entity name already exists in Tennessee and has received name consent from the existing entity.**3. This company has the additional designation of:** None**4. The name and complete address of the Limited Liability Company's initial registered agent and office located in the state of Tennessee is:**C T CORPORATION SYSTEM  
300 MONTVUE RD  
KNOXVILLE, TN 37919-5546  
KNOX COUNTY**5. Fiscal Year Close Month:** December**6. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date and time is:**  
(none) (Not to exceed 90 days)**7. The Limited Liability Company will be:**☐ Member Managed☒ Manager Managed☐ Director Managed**8. Number of Members at the date of filing:** 1**9. Period of Duration:** Perpetual**10. The complete address of the Limited Liability Company's principal executive office is:**STE 112  
9041 EXECUTIVE PARK DR  
KNOXVILLE, TN 37923-4603  
KNOX COUNTY



B0525-2000 03/29/2018 3:17 PM Received by Tennessee Secretary of State Tre Hargett

**ARTICLES OF ORGANIZATION  
LIMITED LIABILITY COMPANY**

SS-4270



**Tre Hargett**  
Secretary of State

**Division of Business Services  
Department of State**  
State of Tennessee  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102  
(615) 741-2286

Filing Fee: \$50.00 per member  
(minimum fee = \$300.00, maximum fee = \$3,000.00)

*For Office Use Only*

**-FILED-**

Control # 000955598

**The name of the Limited Liability Company is:** Summit Ambulatory Surgical Center - Knoxville, LLC

**11. The complete mailing address of the entity (if different from the principal office) is:**

STE 306  
25 CROSSROADS DR  
OWINGS MILLS, MD 21117-5437

**12. Non-Profit LLC (required only if the Additional Designation of "Non-Profit LLC" is entered in section 3.)**

- ☐ I certify that this entity is a Non-Profit LLC whose sole member is a nonprofit corporation, foreign or domestic, incorporated under or subject to the provisions of the Tennessee Nonprofit Corporation Act and who is exempt from franchise and excise tax as not-for-profit as defined in T.C.A. §67-4-2004. The business is disregarded as an entity for federal income tax purposes.

**13. Professional LLC (required only if the Additional Designation of "Professional LLC" is entered in section 3.)**

- ☐ I certify that this PLLC has one or more qualified persons as members and no disqualified persons as members or holders.

**Licensed Profession:**

**14. Series LLC (optional)**

- ☐ I certify that this entity meets the requirements of T.C.A. §48-249-309(a) & (b)

**15. Obligated Member Entity (list of obligated members and signatures must be attached)**

- ☐ This entity will be registered as an Obligated Member Entity (OME) Effective Date: (none)  
☐ I understand that by statute: THE EXECUTION AND FILING OF THIS DOCUMENT WILL CAUSE THE MEMBER(S) TO BE PERSONALLY LIABLE FOR THE DEBTS, OBLIGATIONS AND LIABILITIES OF THE LIMITED LIABILITY COMPANY TO THE SAME EXTENT AS A GENERAL PARTNER OF A GENERAL PARTNERSHIP. CONSULT YOUR ATTORNEY.

**16. This entity is prohibited from doing business in Tennessee:**

- ☐ This entity, while being formed under Tennessee law, is prohibited from engaging in business in Tennessee.

**17. Other Provisions:**

Electronic

Signature

Patricia Messer

Printed Name

Organizer

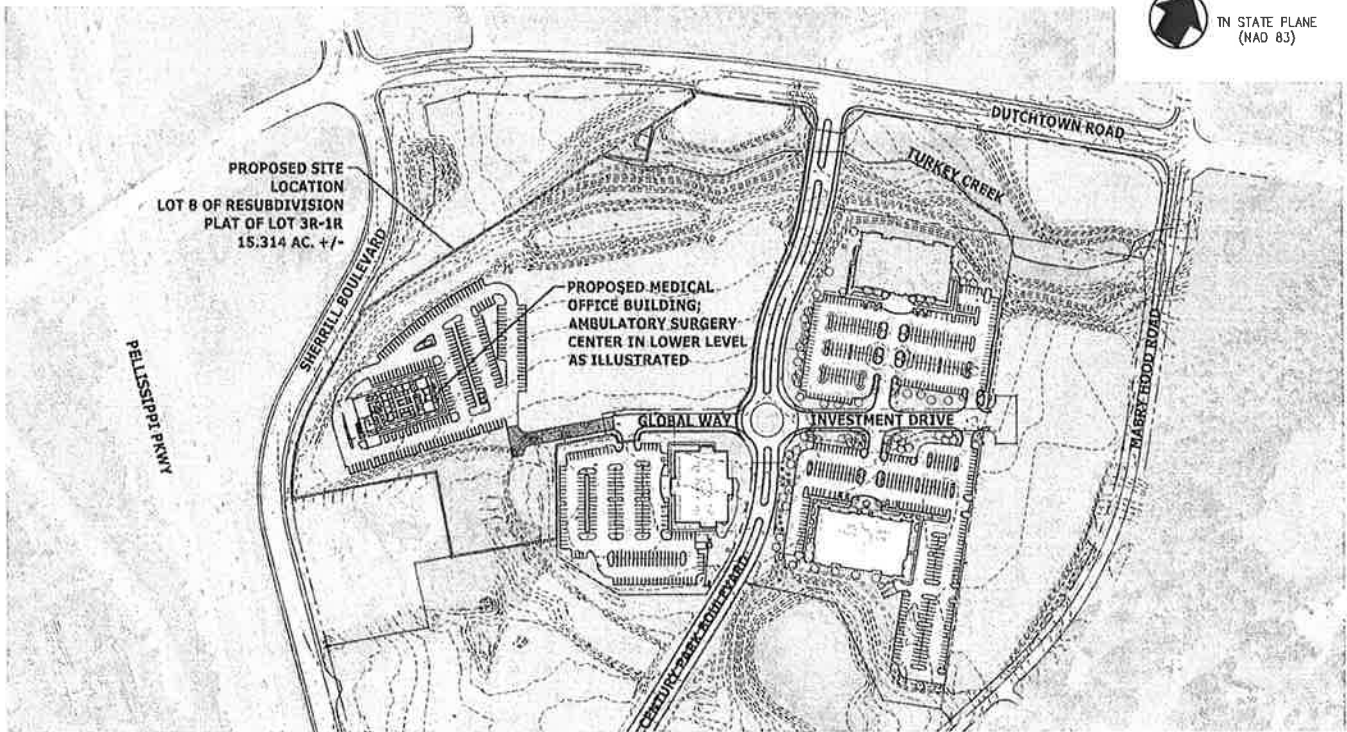
Title/Signer's Capacity

Mar 29, 2018 3:17PM

Date



**Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3**



**CANNON & CANNON INC.**  
CONSULTING ENGINEERS - FIELD SURVEYORS  
TEL 665.670.8555 | 8550 Kingston Pike  
www.cannon-cannon.com Knoxville, TN 37919

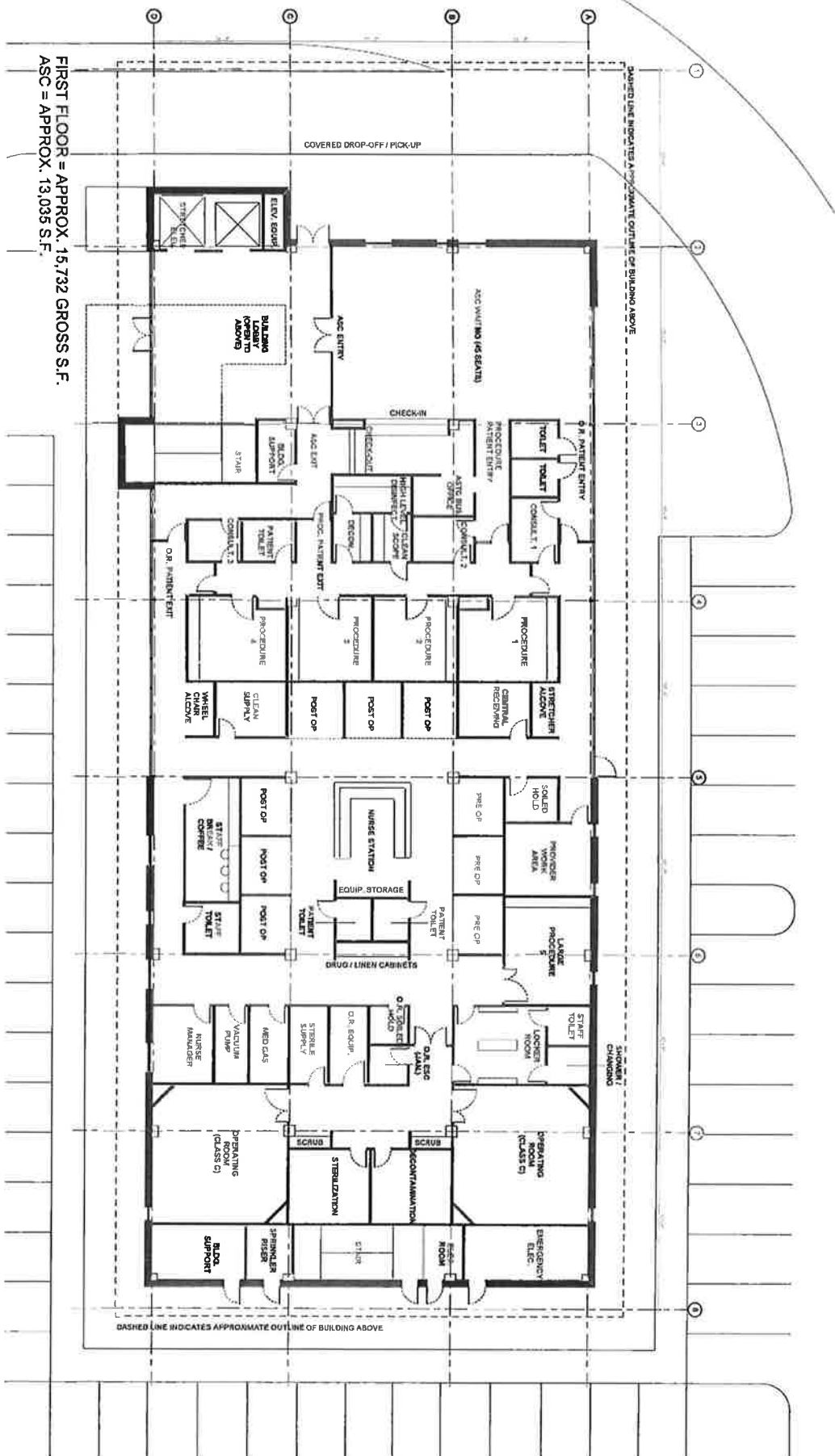
CCI PROJ. NO. -  
DATE JULY 2, 2016  
SCALE 1" = 200'  
DRAWN JRM  
CHECKED JRM

CLIENT  
**COMMERCIAL & INVESTMENT PROPERTIES**  
1225 WEISGARBER ROAD, SUITE 390  
KNOXVILLE, TENNESSEE 37909

PROJECT  
TENNESSEE UROLOGY ASSOCIATES &  
CHESAPEAKE UROLOGY ASSOCIATES  
CENTURY PARK

**SITE LOCATION PLAN**

**C1.1**



## **Attachment Section B-Economic Feasibility-B**

**CUA Opco, LLC**  
**25 Crossroads Drive, Suite 306**  
**Owings Mills, MD 21117**

July 12, 2018

Ms. Melanie Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

Re: Funding Source for Urologic Surgery Center of Knoxville, LLC's Ambulatory Surgery Treatment Center ("ASTC") proposed in the current CON application

Dear Ms. Hill:

I am the Chief Financial Officer of CUA Opco, LLC, the company which will provide management services to the proposed ASTC noted above. CUA Opco, LLC, also provides management services to Tennessee Urology Associates, PLLC.

While the Urologic Surgery Center of Knoxville will operate in a space that will be subject to a long-term lease, there are also costs the applicant for the CON will incur for tenant build-out, furniture, fixtures and equipment relative to the development of this proposed ASTC. CUA Opco, LLC, as the management company for Tennessee Urology Associates, PLLC and for the proposed ASTC, has committed to providing the funds required to satisfy the costs incurred in connection with establishing this ASTC. As shown by the Project Cost Chart in the CON application, the upfront costs to establish this ASTC, as we have noted above, are approximately \$3.5 million. CUA Opco, LLC's most recent financial statements should serve to demonstrate that CUA Opco has sufficient financial capacity, including cash and cash equivalents on hand, to satisfy the estimated costs that will be incurred for the development of this ASTC.

If you need additional information, please do not hesitate to contact me at (443) 738-2876.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Bass", with a stylized flourish extending to the right.

Steve Bass  
Executive Vice President and  
Chief Financial Officer

# **CUA Opco, LLC and Subsidiaries**

Consolidated Financial Report  
(Compiled)  
December 31, 2017

## Contents

Independent accountant's compilation report	1
Financial statements	
Consolidated balance sheets	2
Consolidated statements of operations	3
Consolidated statements of cash flows	4
Supplementary Information	
Schedule of adjusted EBITDA – CUA Opco, LLC	5



RSM US LLP

## Independent Accountant's Compilation Report

To the Board of Managers  
CUA Opco, LLC and Subsidiaries

Management is responsible for the accompanying consolidated financial statements of CUA Opco, LLC and its subsidiaries – Chesapeake Urology Associates, LLC and Summit Ambulatory Surgical Center, LLC, consolidated variable-interest entities – (collectively, the Company), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and cash flows for the year ended December 31, 2017, and for the period from August 1, 2016 (inception) through December 31, 2016 (collectively, the financial statements), in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all the disclosures and the consolidated statements of member's equity required in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. If the omitted disclosures and statements were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

### Other Matter

The accompanying Schedule of Adjusted EBITDA – CUA Opco, LLC is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

*RSM US LLP*

Baltimore, Maryland  
May 31, 2018

THE POWER OF BEING UNDERSTOOD  
AUDIT | TAX | CONSULTING



**CUA Opco, LLC and Subsidiaries**

**Consolidated Balance Sheets**

**December 31, 2017 and 2016**

**See Independent Accountant's Compilation Report**

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,163,142	\$ 6,742,009
Patient receivables, net	12,362,429	8,856,521
Other receivables	1,585,956	1,081,776
Inventory	2,634,711	1,593,305
Prepaid expenses	1,716,558	1,260,581
<b>Total current assets</b>	<b>28,462,796</b>	<b>19,534,192</b>
Property and equipment, net	15,086,477	14,562,932
Other assets:		
Goodwill, net	107,387,092	95,092,851
Intangible asset, net	4,173,950	4,900,477
Deposits and other assets, net	241,966	147,050
<b>Total other assets</b>	<b>111,803,008</b>	<b>100,140,378</b>
<b>Total assets</b>	<b>\$ 155,352,281</b>	<b>\$ 134,237,502</b>
<b>Liabilities and Member's Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 660,000	\$ 420,000
Accounts payable	6,070,893	4,710,587
Accrued expenses	10,421,585	8,867,905
Pension liability	3,143,195	2,692,866
Accrued interest	1,082,377	653,301
<b>Total current liabilities</b>	<b>21,378,050</b>	<b>17,344,659</b>
Long-term liabilities:		
Long-term debt, net	63,084,573	39,434,912
Deferred rent	1,503,381	1,180,949
<b>Total liabilities</b>	<b>85,966,004</b>	<b>57,960,520</b>
Member's equity:		
Member's equity, CUA Opco, LLC	71,672,124	76,871,924
Noncontrolling interest in subsidiaries	(2,285,847)	(594,942)
<b>Total member's equity</b>	<b>69,386,277</b>	<b>76,276,982</b>
<b>Total liabilities and member's equity</b>	<b>\$ 155,352,281</b>	<b>\$ 134,237,502</b>

**CUA Opco, LLC and Subsidiaries**

**Consolidated Statements of Operations**  
**Year Ended December 31, 2017 and the Period From**  
**August 1, 2016 (Inception) Through December 31, 2016**  
**See Independent Accountant's Compilation Report**

	2017	2016
Revenue:		
Patient service revenue, net of contractual allowances and bad debts	<u>\$ 139,665,653</u>	<u>\$ 49,737,812</u>
Operating expenses:		
Clinical supplies and expenses	36,548,970	12,628,541
Salaries and wages	62,594,503	23,520,300
Payroll taxes and benefits	11,405,793	3,754,920
Occupancy	7,575,702	2,665,553
Administrative expenses	12,384,379	4,353,278
Management fees	460,913	135,990
Amortization	11,693,728	4,448,995
Depreciation	3,163,493	1,242,394
Transaction costs	1,285,387	-
<b>Total operating expenses</b>	<u>147,112,868</u>	<u>52,749,971</u>
<b>Operating loss</b>	(7,447,215)	(3,012,159)
Other expenses:		
Interest	(3,955,986)	(1,318,507)
Other	40,836	(2,124)
<b>Net loss</b>	(11,362,365)	(4,332,790)
Net loss attributable to noncontrolling interest in subsidiaries	<u>(1,690,905)</u>	<u>(594,942)</u>
<b>Net loss attributable to CUA Opco, LLC</b>	<u><u>\$ (9,671,460)</u></u>	<u><u>\$ (3,737,848)</u></u>

**CUA Opco, LLC and Subsidiaries**

**Consolidated Statements of Cash Flows**  
**Year Ended December 31, 2017 and the Period from**  
**August 1, 2016 (Inception) Through December 31, 2016**  
**See Independent Accountant's Compilation Report**

	2017	2016
Cash flows from operating activities:		
Net loss	\$ (11,362,365)	\$ (4,332,790)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,857,221	5,691,389
Amortization of deferred financing costs	444,661	145,721
Loss on disposal of property and equipment	-	2,252
Deferred rent	322,432	1,180,949
Changes in assets and liabilities:		
(Increase) decrease:		
Patient receivables	(1,350,757)	2,619,010
Other receivables	(504,180)	(1,081,776)
Inventory	(738,264)	79,413
Prepaid expenses	(235,146)	(630,251)
Other assets	28,357	(7,415)
Increase (decrease) in:		
Accounts payable	955,660	589,787
Accrued expenses and interest	1,426,614	667,845
Pension liability	(323,272)	(1,010,592)
<b>Net cash provided by operating activities</b>	<b>3,520,961</b>	<b>3,913,542</b>
Cash flows from investing activities:		
Net assets acquired in business combination, net of cash acquired	(20,713,647)	(98,311,005)
Purchases of property and equipment	(2,846,371)	(1,172,405)
<b>Net cash used in investing activities</b>	<b>(23,560,018)</b>	<b>(99,483,410)</b>
Cash flows from financing activities:		
Capital contributions	592,000	62,602,686
Distributions to members	(576,810)	-
Financing costs	(75,000)	(2,185,809)
Proceeds from long-term debt	24,000,000	43,500,000
Payments on long-term debt	(480,000)	(1,605,000)
<b>Net cash provided by financing activities</b>	<b>23,460,190</b>	<b>102,311,877</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,421,133</b>	<b>6,742,009</b>
Cash and cash equivalents:		
Beginning of year	6,742,009	-
End of year	\$ 10,163,142	\$ 6,742,009
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,082,249	\$ 519,485
Supplemental schedule of noncash operating, investing and financing activities:		
Net assets acquired through issuance of equity	\$ 4,456,470	\$ 18,007,086
Purchases of property and equipment in accrued expenses	\$ 201,174	\$ 1,763,650

## Supplementary Information

**CUA Opco, LLC and Subsidiaries**

**Schedule of Adjusted EBITDA - CUA Opco, LLC  
Year Ended December 31, 2017 and the Period From  
August 1, 2016 (Inception) Through December 31, 2016  
See Independent Accountant's Compilation Report**

	2017	2016
<u>Adjusted EBITDA</u> : Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), and Transaction Costs:		
Consolidated net loss	\$ (11,362,365)	\$ (4,332,790)
Net loss attributable to noncontrolling interest in subsidiaries	(1,690,905)	(594,942)
<b>Net loss - CUA Opco, LLC</b>	<b>(9,671,460)</b>	<b>(3,737,848)</b>
Interest	3,955,986	1,318,507
Taxes	-	-
Depreciation	3,163,493	1,242,394
Amortization	11,693,728	4,448,995
Transaction costs	1,285,387	-
<b>Adjusted EBITDA - CUA Opco, LLC</b>	<b>\$ 10,427,134</b>	<b>\$ 3,272,048</b>

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF KNOX

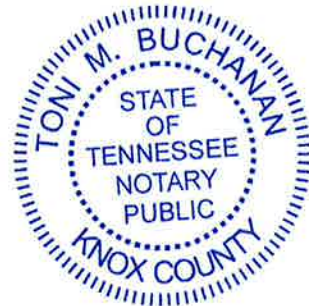
Scott Guyton, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Scott Guyton / Chief Operating Officer for  
SIGNATURE/TITLE Tennessee, CVA opco, LLC

Sworn to and subscribed before me this 12 day of July, 2018, a Notary Public in and for the County/State of Tennessee.

Toni M. Buchanan  
NOTARY PUBLIC

My commission expires 3/3 2021  
(Month/Day) (Year)





## State of Tennessee

### Health Services and Development Agency

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

August 1, 2018

Bill West  
Baker, Donelson, Bearman, & Caldwell  
211 Commerce Street, Ste. 1000  
Nashville, TN 37201

RE: **Certificate of Need Application – Urologic Surgery Center of Knoxville, LLC-CN1807-029**

**The establishment of a single specialty ASTC with 2 operating rooms and 5 procedure rooms limited to urological cases by TN Urology Associates d/b/a TN Urology Associates physicians. The ASTC will be located at an unaddressed site on Global Way in the Century Park office district in Knoxville (Knox County), TN. Urology Surgical Center of Knoxville, LLC is owned by TN Urology Associates. The estimated project cost is \$12,076,243.**

Dear Mr. West:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health, Division of Policy, Planning, and Assessment for Certificate of Need review. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is [Trent.Sansing@tn.gov](mailto:Trent.Sansing@tn.gov) or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project began on August 1, 2018. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on October 24, 2018.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Melanie M. Hill', with a stylized, cursive script.

Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA





**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243


[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM:   
Melanie M. Hill  
Executive Director

DATE: August 1, 2018

RE: Certificate of Need Application  
Urologic Surgery Center of Knoxville, LLC- CN1807-029

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on August 1, 2018 and end on October 1, 2018.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

cc: Bill West





**State of Tennessee**  
**Health Services and Development Agency**  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243  
**www.tn.gov/hsda**

Phone: 615-741-2364

Fax: 615-741-9884

## LETTER OF INTENT

The Publication of Intent is to be published in the Knoxville News Sentinel which is a newspaper of general circulation in Knox, Tennessee, on or before July 10, 2018, for one day.  
(County) (Month / day) (Year)

=====

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency, that:

Urologic Surgery Center of Knoxville,  
(Name of Applicant)

N/A  
(Facility Type-Existing)

owned by: Urologic Surgery Center of Knoxville, LLC with an ownership type of limited liability company and to be managed by: CUA Opco, LLC intends to file an application for a Certificate of Need for: the establishment of a single-specialty ambulatory surgical treatment center with two operating rooms and five procedure rooms. This ambulatory surgical treatment center will be limited to urological surgical cases and procedures performed by medical physicians who are employees of Tennessee Urology Associates, PLLC, which does business as Tennessee Urology Associates. The project's location will be in Knoxville, Tennessee, at a currently unaddressed site near the current southwest end of Global Way in the Century Park office district near the intersection of Pellissippi Parkway and Dutchtown Road in west Knoxville, and approximately 800 feet southwest of the intersection of Global Way and Century Park Boulevard. The estimated project costs are approximately \$12,100,000. No inpatient beds are affected by or involved in the project. No major medical equipment will be involved in this project.

The anticipated date of filing the application is July 13, 2018.

The contact person for this project is Scott Guyton Chief Operating Officer for Tennessee, CUA Opco, LLC  
(Contact Name) (Title)

who may be reached at: Tennessee Urology Associates, 9041 Executive Park Dr., Suite 112  
(Company Name) (Address)

Knoxville TN 37923 865 / 690-0602  
(City) (State) (Zip Code) (Area Code / Phone Number)

Scott Guyton  
(Signature)

July 10, 2018  
(Date)

SGuyton@tnurology.com  
(E-mail Address)

=====

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

**Health Services and Development Agency**  
**Andrew Jackson Building, 9th Floor**  
**502 Deaderick Street**  
**Nashville, Tennessee 37243**

=====

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

=====

# Supplemental #1 (Original)

Urologic Surgery  
Center of Knoxville,  
LLC

CN1807-029

2018 JUL 26 9:53 AM

**Supplemental #1**

**July 26, 2018**

**9:53 A.M.**

July 25, 2018

Mr. Mark Farber  
Health Planner III  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**Via Hand Delivery**

Re: Certificate of Need Application CN1807-029  
Urologic Surgery Center of Knoxville

Dear Mr. Farber:

Set forth below are the responses of Urological Surgery Center of Knoxville dated July 17, 2018. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

**1. Section A, Applicant Profile 1.**

What is the ZIP Code for the project location?

**RESPONSE:** The Project will be located in the 37932 zip code in west Knoxville.

**2. Section A. Executive Summary A. Overview 1) Description**

Please describe the types of urologic surgery cases that the applicant expects to perform in the operating rooms and the types of cases performed in the procedure rooms at the proposed ASTC.

**RESPONSE:** In the ASTC's operating rooms, the applicant expects that such cases as ureteroscopies and interstim cases to be performed. In the ASTC's procedure rooms, the applicant expects that such procedures as are now performed in TUA, PLLC's medical offices (primarily) to be performed in the ASTC's procedure rooms: cystoscopies, prostate biopsies, bladder botox procedures, peripheral nerve evaluations, dilations, stent exchanges, xiaflex molding, and urolifts.

**3. Section A. Project Details 4. Ownership**

Please identify the members of Tennessee Urology Associates, PLLC and each member's percentage of ownership.

**RESPONSE:** Currently, Sanford Siegel, M.D., the Chief Executive Officer of TUA, PLLC, owns 100% of the ownership interests in Tennessee Urology Associates, PLLC.

Please explain why there are Articles of Organization filed for Summit Ambulatory Surgery Center - Knoxville, LLC.

**RESPONSE:** The applicant Tennessee limited liability company was originally named Summit Ambulatory Surgical Center-Knoxville, LLC, but changed its name to Urologic Surgery Center of Knoxville, LLC on July 6, 2018, as shown by the Articles of Amendment to the Articles of Organization (LLC) filed on that date with the Tennessee Secretary of State. The change was made to avoid confusion with another local physician group which utilizes the word "Summit" in its name.

**4. Section A. Project Details 5. Management Agreement**

Please submit a draft management agreement that at a minimum includes the management fee, how the management fee is calculated, and the expected term of the agreement.

**RESPONSE:** The requested draft management agreement is filed with these Responses under Tab 4.

Please provide a brief description of the management/operating entity's expertise to operate this facility/service. Brief bios outlining areas of expertise and experience of the senior management will be helpful.

**RESPONSE:** CUA Opco, LLC currently manages 17 AAAHC-certified ambulatory surgery centers in Baltimore, Harford, Howard, Carroll, Montgomery, Prince George's, Charles and Anne Arundel counties in Maryland, as well as in Baltimore City, Maryland. CUA Opco, LLC has developed a team of experienced professionals to assist in operating the day-to-day operations of each of these surgery centers. Each of these professionals has deep experience in healthcare businesses and operations. A brief bio is attached for each of Steve Bass (Executive Vice President and Chief Financial Officer of CUA Opco, LLC) and Sanford Siegel, M.D. (President and Chief Executive Officer of CUA Opco, LLC).

Please identify the members of CUA Opco, LLC and each member's percentage of ownership.

**RESPONSE:** CUA Opco, LLC is owned 100% by CUA Intermediate, LLC.

How many ASTCs does CUA Opco, LLC currently manage/operate.

**RESPONSE:** CUA Opco, LLC manages 17 ambulatory surgery centers located at the addresses below in Maryland. It currently does not manage any surgery centers outside the state of Maryland.

- a) 1342 S. Division Street, Unit 401, Salisbury, MD 21804
- b) 401 East Jefferston Street, Suite 105, Rockville, MD 20850
- c) The Smyth Building, 5601 Loch Raven Boulevard, Suite 307, Baltimore, MD 21239 (Good Samaritan Hospital)
- d) Angelos Medical Pavilion, 3407 Wilkens Boulevard, Suite 210, Baltimore, MD 21229 (St. Agnes Hospital Campus)
- e) 3333 N. Calvert Street, Suite 600, Baltimore, MD, 21218 (Union Memorial Hospital)
- f) Ruxton Professional Center, 8322 Bellona Avenue, Suite 202, Towson, MD 21204 (Towson/Ruxton)
- g) Physicians Pavilion North, 6535 N. Charles Street, Suite 625, Towson, MD 21204 (GBMC/Towson)
- h) 6820 Hospital Drive, Suite 210, Baltimore, MD 21237 (Franklin Square Hospital/White Marsh)
- i) 21 Crossroads Drive, Suite 200, Owings Mills, MD 21117 (The Continence Center/Owings Mills)
- j) 1838 Greene Tree Road, Suite 460, Pikesville, MD 21208 (Pikesville/Woodholme)
- k) 410 Malcom Drive, Suite A, Westminster, MD 21157 (Westminster)
- l) 201 Plumtree Road, Suite 210, Bel Air, MD 21015 (Bel Air)
- m) Havre de Grace Medical Center, 251 Lewis Lane, Suite 203, Havre de Grace, MD 21078 (Havre de Grace)
- n) Midtown Medical Building, 7625 Maple Lawn Boulevard, Suite 210, Fulton, MD 20759 (Columbia/Maple Lawn)
- o) 3801 International Drive, Suite 310, Silver Spring, MD 20906 (Silver Spring)
- p) Brandywine Medical Center, 7704 Matapeake Business Drive, Suite 300, Brandywine, MD 20613 (Brandywine)
- q) 10710 Charter Drive, Suite 140, Columbia, MD 21044

Please provide a list of other healthcare facilities with which the CUA Opco, LLC has affiliations and/or management contacts, both current and proposed.

**RESPONSE:** See the list of ambulatory surgery centers above; CUA Opco, LLC does not manage any other healthcare facilities.

**5. Section A. Project Details 6. Legal Interest in Site**

The response to this item is noted. Please provide a fully executed Option to Lease that at least includes the expected term of the lease and the anticipated lease payments.

Please provide a copy of the property deed to document ownership of the site by the lessor.

**RESPONSE:** The responsive executed documents are filed with these Responses under Tab 5. The property's current owner has executed an option to purchase with the developer of the building which will house this ASTC. A copy of that executed option is attached, along with an executed option to lease from the developer to CUA Opco, LLC, and an executed option to sublease from CUA Opco, LLC to the applicant.

**6. Section A. Project Details 9.**

Please identify with which TennCare MCOs the applicant expects to contract.

**RESPONSE:** The applicant expects to contract with the following TennCare MCOs: BlueCare, United Healthcare Community Plan and TennCare Select.

**7. Section A, Project Details, Item 12 Square Footage and Cost Per Square Footage Chart**

Please provide a brief description of the building including the age of the building, the number of floors, and the businesses by type per floor.

**RESPONSE:** The building which will house the Project is not yet built. The applicant and TUA expect that when the two-story building is construction, the building will house the Project on its first floor, and the primary TUA office on its second floor.

Is the proposed space for the ASTC occupied by another entity? If yes, where will that entity relocate?

**RESPONSE:** No. The Project will be located in a new building that is not yet built.

What is the distance between the proposed ASTC and the hospitals located in Knox, Anderson, Roane, and Loudon Counties?

**RESPONSE:** The distance between the Project's proposed site and the hospitals in the service area is set forth below:



Mr. Mark Farber

July 25, 2018

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County	Hospital	Distance from Site
Anderson	Methodist Medical Center	11.2 miles
Loudon	Ft. Loudoun Medical Center	13.7 miles
Roane	Roane Medical Center	28.1 miles
Knox	Ft. Sanders Regional Medical Center	13.5 miles
Knox	Parkwest Medical Center	2.1 miles
Knox	Univ. of TN Medical Center	15.4 miles
Knox	Tennova Turkey Creek	3.1 miles
Knox	Tennova North	20 miles
Knox	Physicians Regional Medical Center	15.6 miles

Will the building space be designed for possible future expansion?

**RESPONSE:** No.

**8. Section B, Need, A. (Specific Criteria –ASTC)**

It appears that the applicant did not address Standards 2-4.

Please provide a response to each of these standards.

**RESPONSE:** The applicant's responses to SHP ASTC standards 2-4 are set forth below.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

**RESPONSE:** As shown below in each response at Supplemental Response No. 9, the applicant projects that the cases performed in the two operating rooms of the Project will utilize the operating rooms for approximately 3,520 hours in year one and 3,608 hours in year two, including preparation time. The year two utilization data is shown in the response to Supplemental Response No. 9 below.

With regard to the five procedure rooms, the applicant projects that the utilization for those rooms will be as set forth in Supplemental Response No. 9 below for year two, and for year one that the procedure rooms will provide 7,991 procedures, requiring 5,993 hours of surgical time including clean up and preparation.

The applicant projects that as to operating room cases, the average turnaround time (clean up and preparation time) will be 25 minutes, while in the procedure rooms, the applicant projects that the average turnaround time (clean up and preparation) will be 15 minutes. The applicant projects that OR cases will take 60 minutes, exclusive of turnaround time,

while the procedure room procedures will average 30 minutes per procedure, exclusive of turnaround time.

The need for these rooms is demonstrated in this application and the supplemental Responses. The applicant has demonstrated in these Responses that the TUA physicians in 2017 performed approximately 9,700 in-office surgical procedures. The applicant projects that approximately 8,000 of these procedures will be shifted to the five procedure rooms in the Project.

As the applicant's responses to Request No. 13 below indicate, in 2017, for example, the TUA physicians performed more than 11,000 outpatient surgery cases at service area hospitals, primarily in Knox County. At the same time, the TUA physicians performed approximately 9,700 in-office surgical procedures in the various offices of TUA. Thus, the TUA members have a high volume currently of both surgical procedures done in their medical offices, that can be transferred to the five procedure rooms at the Project, and outpatient surgery cases done in various hospital outpatient operating rooms, some of which can be transferred to the two operating rooms of the Project.

The projections of the application are that approximately 23% of the outpatient operating room surgical cases performed annually by the physicians of TUA will, once the Project is completed, be done in the two operating rooms of the Project. As shown by the outpatient surgical volume of the hospitals in the area that report urological outpatient cases, the impact of performing approximately 2,485 such cases at the Project rather than at the hospitals will have only a modest impact of the surgical volumes of the hospitals in the service area. See Responses to No. 9 below.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: (a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available<sup>1</sup>) OR (b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

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<sup>1</sup> The Department of Health is currently in the rule-making process necessary to implement the statute requiring the collection of office-based surgery data (Public Chapter 373, 2007). The Division recognizes that the Department of Health does not have sufficient data available on hospital ambulatory/outpatient surgery rooms at this time to include them in the determination of need; however, the Division plans to work with stakeholders towards this goal.

**RESPONSE:** This application and these Responses to the Requests for Supplemental Information establish that there is a need for this Project. The utilization of multi-specialty ASTCs in the service area is set forth below in the Response to No. 9. There are only two multi-specialty ASTC procedure rooms in the service area, and one of these is utilized at 10% of the State Health Plan's optimal utilization.

Furthermore, if the projections of the applicant set forth in the response to Request No. 9 below were performed in merely four procedure rooms instead of five, for example, each such procedure room would be utilized at the rate of approximately 2,047 procedures. This would be approximately 110% of the 1,867 procedure room procedures as set forth by the State Health Plan as "optimum utilization of a dedicated outpatient procedure room." Thus, the applicant has chosen to develop five procedure rooms which will change the average per procedure room to 1,638 as shown in year two, for example.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**RESPONSE:** The TUA physicians who will practice at the Project do not utilize area ASTCs currently. Therefore, the move of their outpatient surgical cases to the Project will not impact service area multi-specialty ASTCs at all.

Area hospitals will not be seriously affected by the TUA physicians' outpatient OR cases being done at the Project, given that the Project will have only 2 ORs and the high outpatient surgical volumes at the hospitals.

**9. Section B, Need, A. (Specific Criteria –ASTC) Item 5.**

Please complete the following table for Year 2 of the proposed project:

<b>Operating Rooms</b>	<b># cases</b>	<b># cases/ Room</b>	<b>Minutes Used</b>	<b>Average Turnaround Time</b>	<b>Schedulable minutes*</b>	<b>% of Schedulable Time Used</b>
Operating Room #1						
Operating Room #2						

Mr. Mark Farber

July 25, 2018

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Procedure Room #1						
Procedure Room #2						
Procedure Room #3						
Procedure Room #4						
Procedure Room #5						
Total Surgical Suite						

\* defined as the summation of the minutes by each room available for scheduled cases

Example: 7:30 AM to 4:30 PM, 5 days per week, 50 weeks/ year, equates to 9 hrs/day X 60 min/hr = 540 minutes/day X 5 days/week = 2,700 minutes / week X 50 weeks/year=135,000 schedulable minutes/room X the number of rooms=surgical suite schedulable capacity

**RESPONSE:**

<b>Operating Rooms</b>	<b># cases</b>	<b># cases/ Room</b>	<b>Minutes Used</b>	<b>Average Turnaround Time</b>	<b>Schedulable minutes*</b>	<b>% of Schedulable Time Used</b>
Operating Room #1	1,274	1,274	108,290	25	120,000	90.2%
Operating Room #2	1,273	1,273	108,205	25	120,000	90.2%
Procedure Room #1	1,638	1,638	73,710	15	120,000	61.4%
Procedure Room #2	1,638	1,638	73,710	15	120,000	61.4%
Procedure Room #3	1,638	1,638	73,710	15	120,000	61.4%
Procedure Room #4	1,638	1,638	73,710	15	120,000	61.4%
Procedure Room #5	1,638	1,638	73,710	15	120,000	61.4%

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Source: ASTC JAR

**RESPONSE:**

**2015-2017 Service Area Utilization Trend**

County	ASTC	2015 Urol. Cases	2015 Total Cases	2015 Urol. as a %Total	2016 Urol Cases	2016 Total Cases	2016 Urol. as a %Total	2017 Urol. Cases	2017 Total Cases	2017 Urol. as a %Total	Urol. Cases '15-'17 % change	Total Cases '15-'17 % change
Anderson	Advanced Fam	0	3,735	0	0	3,363	0	0	3,314	0	0	(11.3%)
Knox	Children's	958	4,534	21%	930	4,903	19%	887	5,116	17.3%	(7.4%)	12.8%
Knox	Ft. Sanders	0	2,282	0	0	2,291	0	0	2,414	0	0	5.8%
Knox	Parkwest	0	5,895	0	0	6,263*	0	0	5,426	0	0	(8%)
Knox	Physicians	7	4,472	.15%	4	4,881	.08%	0	4,253	0	0	(4.9%)
	<b>Grand Total/Average</b>	<b>965/193</b>	<b>20,918</b>	<b>4.6%</b>	<b>984</b>	<b>21,701</b>	<b>4.3%</b>	<b>887</b>	<b>20,523</b>	<b>4.3%</b>	<b>(7.4%)</b>	<b>(1.9%)</b>

Urol=Urologic Surgery

Source: ASTC JAR

\*Cases and Procedures

**2017 Service Area ASTC Utilization**

County	ASTC	# ORs	# OR Cases	# Cases per OR	% of meeting 884 Minimum	# PRs	# PR Cases	# Cases per PR	% of Meeting 1,867 Minimum
Anderson	Advanced Fam	4	3,314	829	93.8%	1	0	0	0
Knox	Children's	3	4,879	1,626	184%	0	0	0	0
Knox	Ft. Sanders	4	2,414	604	68.3%	0	0	0	0
Knox	Parkwest	5	3,429	686	77.6%	1	1,997	1,997	107%
Knox	Physicians	5	4,253	857	96.2%	0	0	0	0
	<b>Grand Total/Average</b>	<b>21</b>	<b>18,289</b>	<b>871</b>	<b>98.5%</b>	<b>2</b>	<b>1,997</b>	<b>1,997</b>	<b>107%</b>

Source: ASTC JAR

Please provide the following information for hospitals in Anderson, Knox, Loudon, and Roane Counties that provided urologic surgery in 2016.

County	Hospital	Urologic Surgery Cases	Total Cases	Urologic Surgery as a % of Total

Source: 2016 Hospital JAR

**RESPONSE:**

The requested data are set forth in the table below for the hospitals in the service area which reported providing urologic surgery in their 2016 JARs:

County	Hospital	Urologic Surgery Cases*	Total Cases	Urologic Surgery as a % of Total*
Knox	Tennova Healthcare	169	9,125	1.8%
Knox	Tennova North	1,314	7,119	18.5%
Knox	Tennova Turkey Creek	589	10,515	5.6%
Knox	Univ. Tennessee Med. Ctr.	2,298	39,955	5.8%

\*Outpatient cases only. The listed hospitals are the only service area hospitals which listed outpatient urologic surgical cases in their 2016 JARs.

Please provide the following information for the applicant facility:

**Applicant Projected Utilization**

Year	# ORs	# OR Cases	# Cases per OR		# PRs	# PR Cases	# Cases per PR
1							
2							

**RESPONSE:** The Project's projected utilization as requested is set forth in the table below.

**Applicant Projected Utilization**

Year	# ORs	# OR Cases	# Cases per OR		# PRs	# PR Cases	# Cases per PR
1	2	2,485	1,242.5		5	7,991	1,598
2	2	2,547	1,273.5		5	8,190	1,638

Please identify all assumptions, including the specific methodology employed by the applicant by which the utilization is projected.

**RESPONSE:** The applicant has assumed that, because in 2017 the TUA physicians performed more than 11,000 outpatient surgery cases in area hospital outpatient facilities, those physicians will be able to perform approximately 2,500 such cases in the 2 ORs at the Project.

Similarly, because the TUA physicians performed over 9,600 surgical procedures at TUA's physician offices in 2017, those physicians will be able to perform approximately 8,000 such procedures per year in the five procedure rooms of the Project.

**10. Section B, Need, A. (Specific Criteria –ASTC) Item 8.**

Where do the additional 40% of patients not in the primary service area reside?

[illegible]



Total							

**RESPONSE:** The requested chart is set forth below. Its entries relate only to the hospital outpatient departments and TUA offices. The urologist employees of Tennessee Urology Associates PLLC do not practice at area ASTCs. These TUA employee physicians will be the only physicians utilizing the Project.

Surgeon	Surgeon's Office*	Physicians Regional	Tennessee North	Park-west	Tennessee Turkey Creek	Methodist Medical Ctr.	Ft. Sanders	Total Cases
Congleton	716	39	256	352	20			667
Cameron	562	74	413	170	47		5	709
Parker	555	138	472	186	14			810
Ramsey	630	764	66	154	24			1,008
Newport	348	93	387	218	1			699
Bowles	425					369		369
Chasan	489					390		390
Nicely	686	76	300	141	55			572
Cottrell	387					506		506
Pearson	400					290		290
Harris	335			267	97			364
Reynolds	486	6	215					221
LeRoy	698			564	400			964
Shepherd	373			443	197			640
Shrewsberry	917					960		960
Chiles	770	2		249	387			638
Lischer	665			644	86			730
DeLair	252	98	248	203	6			555
Total	9,694*	1,290	2,357	3,591	1,334	2,515	5	11,092**

\*Procedures by physician at TUA, PLLC offices.

\*\* Total outpatient OR cases.

Please identify the hospitals in the service area where the surgeons have admitting/surgical privileges.

**RESPONSE:** TUA physicians have admitting privileges at the following service area hospitals: Methodist Medical Center, Parkwest Hospital, Tennova North, Turkey Creek Medical Center, and Physicians Regional Hospital.

**14. Section B. Economic Feasibility Item A. Project Cost Chart**

It is noted that a letter from an architect or construction professional will be provided.

If the applicant will be leasing the space why are there construction costs included?

**RESPONSE:** The applicant and TUA's management company, CUA Opco, LLC, plan to pay extensive ASTC buildout and ASTC equipment/furnishing costs; its plans are that the building will, in its second story, house the main office for Tennessee Urology Associates, PLLC, with extensive physician offices and practice areas. The requested letter from a construction professional is attached under Tab 14.

**15. Section B. Economic Feasibility Item B. Funding Sources**

Please explain why the management company is putting up the funds for the upfront costs rather than the applicant or the applicant's owner.

**RESPONSE:** Under CUA Opco, LLC's management relationship with the applicant, it is responsible for providing the applicant with space for operation of an ambulatory surgery center. It, therefore, is furnishing the funds for the upfront costs incurred in connection with the buildout of the ambulatory surgery center. The applicant also is not expected to be provided a separate tenant improvement allowance under its contemplated sublease with CUA Opco, LLC. The management fee paid by the applicant under the Management Services Agreement and the rental rate under the contemplated sublease with CUA Opco, LLC reflects the upfront costs that CUA Opco, LLC anticipates to incur in connection with this project.

**16. Section B. Economic Feasibility Item D. Projected Data Chart**

The applicant did not include an amount for Earnings before Interest, Taxes, and Depreciation and did not complete the Non-Operating Expense section for the Projected Data Chart.

Please make the necessary corrections and submit a revised Projected Data Chart.

**RESPONSE:** The revised Projected Data Chart is filed with these Responses under Tab 16.

**17. Section B. Economic Feasibility Item E. 3)**

It appears that the average charge calculations for Parkwest Surgery Center and Physicians Surgery Center are incorrect.

Please make the necessary corrections and submit a replacement page.

**RESPONSE:** The requested corrected replacement page is filed with these Responses under Tab 17.

**18. Section B. Economic Feasibility Item F. 1)**

Please provide audited financial statements, if available, for the applicant's owner.

**RESPONSE:** The 2017 balance sheet and income statement for Tennessee Urology Associates, PLLC is filed with these Responses under Tab 18.

**19. Section B. Economic Feasibility Item F. 2) Net Operating Margin Ratio**

The information provided does not appear to match up with the definition of Earnings before Interest, Taxes, and Depreciation/Net Operating Revenue. Please recalculate the Net Operating Margin Ratios and submit a replacement page.

**RESPONSE:** This recalculation has been performed and a replacement page reflecting the changes is attached under Tab 19.

**20. Section B. Economic Feasibility Item F. 3)**

Please show the calculations that lead to a 46% capitalization ratio.

**RESPONSE:** The calculations concerning the capitalization ratio is set forth as follows: as of December 31, 2017, CUA Opco, LLC's long-term debt was \$63,084,573, while its equity totaled \$60,286,099. The sum of these amounts is \$123,370,672. When the equity amount of \$60,286,099 is divided by the total of long-term debt plus equity (\$123,370,672), the resulting capitalization ratio is 48.9%.

**21. Section B. Economic Feasibility Item G.**

There appears to be calculation errors in the Payor Source Chart.

Please make the necessary corrections and submit a replacement page.

**RESPONSE:** The necessary corrections have been made to the Payor Source chart. A replacement page with the corrected chart is filed with these Responses under Tab 21.

**22. Section B. Contribution to Orderly Development Item D**

With which areas hospitals does the applicant plan to have transfer agreements?

**RESPONSE:** The applicant plans to have a transfer agreement with Parkwest Hospital.

**23. Section B. Contribution to Orderly Development Item B.**

Since it appears that most of the urological procedures can be performed in the physician's office, please discuss if whether or not performing these procedures in an ASTC is best practice.

**RESPONSE:** The applicant believes that centralizing most of the procedures now performed in its various offices to being performed in the Project, a single location, will lead to procedure room support teams that are more efficient in the delivery of the services, and enable a broader range of anesthesia services as well. Thus, performing these procedures in a single-specialty, dedicated ASTC specializing in these urological cases and procedures can be a best practice.

**24. Section B. Contribution to Orderly Development Item C.**

Does the applicant have a plan regarding contracting for anesthesia services? If yes, please discuss these plans.

**RESPONSE:** The applicant plans to contract with an independent anesthesia group to provide anesthesia services in the proposed ASTC.

**25. Section B. Contribution to Orderly Development Item D**

The applicant addressed licensure and accreditation plans; however the applicant did not address certification plans.

Please provide a response.

**RESPONSE:** The applicant will seek certification as a Medicare provider.

**26. Project Completion Forecast Chart**

Please submit a completed chart.

**RESPONSE:** The completed Project Completion Forecast is filed with these Responses under Tab 26.

Signature on Following Page

**July 26, 2018**

**9:53 A.M.**

Mr. Mark Farber  
July 25, 2018  
Page 17

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve Bass", with a stylized, cursive script.

Steve Bass

WHW/mhh

Enclosures

TAB 4

## **MANAGEMENT SERVICES AGREEMENT**

**THIS MANAGEMENT SERVICES AGREEMENT** ("**Agreement**") is made and entered into as of [ ] (the "**Effective Date**"), by and between CUA Opco, LLC, a Delaware limited liability company ("**Management Company**") and Urologic Surgery Center of Knoxville, LLC, a Tennessee limited liability company ("**ASC**").

### **RECITALS**

**A.** Tennessee Urology Associates, PLLC, a Tennessee professional limited liability company ("**Medical Group**") owns ASC, which was formed to own and operate an ambulatory surgery center at which outpatient urologic surgical procedures are performed ("**ASC Business**").

**B.** Capitalized terms used but not otherwise defined in this Agreement will have the respective meanings set forth on Exhibit A.

**NOW, THEREFORE**, in consideration of the foregoing, the mutual covenants and promises hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, and intending to be legally bound hereby, the parties represent, warrant, promise, covenant and agree as follows:

### **I. ENGAGEMENT AND AUTHORITY OF MANAGEMENT COMPANY**

**1.1 Engagement.** ASC hereby engages Management Company, commencing as of the Effective Date, as ASC's sole and exclusive provider of Administrative Services (as defined below), and Management Company hereby accepts such engagement, on the terms and conditions set forth in this Agreement. Subject to the terms and conditions of this Agreement and applicable law, Management Company will have the right and commensurate authority to perform the Administrative Services in a manner it deems reasonably appropriate to meet the day-to-day business operations of the ASC Business, and will have the right to delegate or subcontract any of its duties or obligations under this Agreement or any portion thereof. No provision of this Agreement will or is intended to limit the right, authority or ability of Management Company or its Affiliates to contract with or provide services to any other physician, practice, surgery center or Person.

**1.2 Facility.** ASC conducts or plans to conduct the ASC Business at the location identified in Schedule 1.2 of this Agreement (the "**Facility**"), as such Schedule is amended from time to time. If ASC intends to directly or indirectly close, sell, relocate, consolidate or otherwise change the ASC Business, then ASC will give reasonable (but no less than 90 days) prior written notice thereof to Management Company and provide Management Company with information regarding the location and proposed action and timing thereof, and other information regarding the change as reasonably requested by Management Company.

**1.3 Relationship of Parties.** In the performance of its duties and obligations under this Agreement, Management Company will, at all times, be acting and performing as an independent contractor of ASC, and no provision in this Agreement creates or is intended to create or result in any employment, franchise, partnership or joint venture relationship between the parties. In the performance of its duties and obligations under this Agreement, ASC will not be acting as employees or agents of Management Company.

## **II. ADMINISTRATIVE SERVICES**

During the term of this Agreement, Management Company will provide or arrange for the provision of business, management, marketing, information technology and other administrative services for the operation of the ASC Business (collectively, "Administrative Services"). The Administrative Services include, without limitation, the following, which will be provided subject to applicable law:

**2.1 Office Space.** Management Company will provide, lease, sublease or otherwise arrange for office space for the Facility, and make such space available to ASC for use in the ASC Business subject to the terms and conditions of the applicable lease or sublease by Management Company for the Facility ("Facility Lease"), for the lesser of the term of this Agreement or the term of the applicable Facility Lease. Management Company will provide or arrange for telephone, utilities, Internet service, janitorial services and repairs reasonably required for each Facility.

**2.2 Non-Medical Equipment, Furniture and Furnishings.** Management Company will provide or arrange for information technology, telephones, computers, software, office equipment and other non-medical business equipment, furniture and furnishings for the ASC Business. Such non-medical business equipment, furniture and furnishings, including replacements thereof or additions thereto, will be and remain (as between the parties hereto) the sole property of Management Company. Management Company will use commercially reasonable efforts to arrange for the non-medical business equipment, furniture and furnishings to be maintained in good working order and repair.

**2.3 Medical Equipment.** Management Company will provide or arrange for medical equipment and instruments for the ASC Business, including, as applicable, x-ray machines, ultrasound machines and other medical equipment (collectively, the "Medical Equipment"). Such Medical Equipment, including replacements thereof or additions thereto, will be and will remain the sole property (as between the parties hereto) of Management Company. Management Company will use commercially reasonable efforts to arrange for the Medical Equipment to be maintained in good working order and repair.

**2.4 Supplies.** Management Company will provide or arrange for the provision of office and medical supplies (other than pharmaceuticals) for the ASC Business.

**2.5 Surgery Center Personnel.** Management Company will provide or arrange for clerical, reception and other personnel (other than Clinical Personnel and Clinical Support Staff) for the ASC Business ("Surgery Center Personnel"). Management Company will be responsible for recruiting, training, supervising, hiring and firing Surgery Center Personnel.

**2.6 Marketing, Advertising and Public Relations.** Subject to any limitation of applicable law, Management Company will provide or arrange for the provision of, or advise and assist ASC with, marketing, advertising and public relations services for the ASC Business.

**2.7 Bookkeeping and Accounting Services.** Management Company will provide or arrange for the provision to ASC of bookkeeping and accounting services for the ASC Business, including maintaining business records, implementing accounting procedures, preparing financial and management reports and preparing and filing tax returns.

**2.8 Human Resources Services.** Management Company will provide or arrange for payroll and other human resources services for the ASC Business. ASC will provide Management Company in a timely manner with all information and documentation necessary for Management Company to provide or arrange for payroll services hereunder.



**2.9 Compliance.** Management Company will advise and assist ASC in taking actions reasonably necessary to help ensure that the operation of the ASC Business complies with applicable laws and regulations, and in implementing and maintaining a corporate compliance plan and HIPAA compliance plan. Management Company may assist and advise ASC in the design, implementation and oversight of ASC's health information privacy policies and procedures, including, without limitation, the negotiation, execution, delivery and performance in the name and on behalf of ASC of business associate agreements.

**2.10 ASC Licenses, Registrations, Registration and Accreditations.** Management Company will advise and assist ASC in obtaining and maintaining certifications, accreditations and licenses, registrations, permits and other government authorizations for the ASC Business. Management Company shall have the right to act as agent of the ASC Business in processing of certifications, accreditations, licenses, registrations, permits and other governmental authorizations for the ASC Business.

**2.11 Contract Negotiation.** Management Company will advise and assist in the negotiation and administration of, on ASC's behalf, contracts, agreements and arrangements for the ASC Business, including managed care and other Payor contracts. To effectuate such authority, ASC hereby appoints Management Company as its true and lawful attorney-in-fact to negotiate and administer all such contracts, agreements and arrangements (whether oral or written) on behalf of ASC, including the authority to deliver contracts, agreements and arrangements on behalf of and in consultation with ASC, subject to any limitations necessary to comply with applicable antitrust laws and regulations.

**2.12 Quality Assurance and Improvement Programs.** Management Company will advise and assist ASC in developing, implementing and maintaining credentialing, quality assurance, utilization review, peer review and other quality and performance improvement programs for the ASC Business.

**2.13 Information Management and Technology Services.** Management Company will provide or arrange for information management and technology services for the ASC Business, including technology for patient scheduling and the storage and maintenance of files and records relating to the operation of the ASC Business.

**2.14 Strategic Planning and Assistance.** Management Company will provide advice and assistance in strategic planning with respect to the ASC Business, including advice and assistance regarding offerings, hiring, acquisitions, developments, expansion and budgeting.

**2.15 Insurance.** Management Company will provide advice and assistance in procuring and continuing insurance coverages for the ASC Business in commercially reasonable types and amounts.

**2.16 Professional Advisors.** Management Company will assist and advise ASC in obtaining, at the sole expense of ASC, legal, accounting and similar professional services for the ASC Business.

**2.17 Billing and Collections.**

(a) Management Company will provide or arrange for the following billing and collection services:

(i) Billing and submission of claims forms on ASC's behalf for claims for reimbursement, payment or indemnification from patients and third party Payors, including, without limitation, managed care organizations, insurance companies, self-insured health plans, health maintenance organizations and preferred provider organizations ("Private Payors" and,

together with Government Programs, as defined below, “Payors”) for goods and services provided by or on behalf of ASC, and respond to explanation of benefit forms and billing inquiries of patients and Payors;

(ii) Collecting, receiving and taking possession of and endorsing on ASC’s behalf all checks, money orders, insurance payments and any other instruments received in payment of goods or services rendered by or on behalf of ASC, or pursuant to accounts receivable generated by such billings and claims for reimbursement, and to administer such accounts; and

(iii) Signing checks, drafts, bank notes or other instruments on behalf of ASC, and depositing all such collections into a designated bank account(s).

(b) To facilitate the foregoing, ASC hereby appoints Management Company as ASC’s true and lawful agent and attorney-in-fact, and such appointment will survive the expiration or termination of this Agreement for all accounts receivable arising from billing for goods and services provided prior to such expiration or termination, until all obligations of ASC owed to Management Company will have been paid in full. For avoidance of doubt, ASC acknowledges and agrees that Management Company may subcontract or otherwise engage, on behalf of ASC, a third party to perform or provide any such billing and collection services or any portion thereof.

(c) ASC shall maintain its deposit account at [ ] (collectively, the “Commercial Receivables Bank Account”) and shall each maintain following the Effective Date, a deposit account at [ ] (the “Government Receivables Bank Account” and, together with the Commercial Receivables Bank Account, the “Depository Accounts”) (or, in each case, at such other bank or financial institution as may be mutually agreed upon in writing by the parties from time to time) and provide Management Company with all requested information regarding such Government Receivables Bank Accounts. All collections derived from services furnished at the ASC Business rendered by or on behalf of ASC that are paid or reimbursed by Medicare, Medicaid, Medicaid waiver, TRICARE or any other federal health care programs, as defined in 42 U.S.C. § 1320a-7b(f) (collectively, “Governmental Programs”), shall (subject to the following proviso) be deposited directly into the applicable Government Receivables Bank Accounts, and all other collections derived from services furnished at the ASC Business rendered by or on behalf of ASC or otherwise arising out of the ASC Business, as well as any other revenues of ASC, including any distributions of cash from the operations of ASC paid to Medical Group by ASC, shall be deposited directly into the applicable Commercial Receivables Bank Account; provided, however, that if, as of the Effective Date, any collections derived from services furnished at the ASC Business rendered by or on behalf of ASC or otherwise arising out of the ASC Business that are paid or reimbursed by a Government Program are deposited into a Commercial Receivables Bank Account, then ASC shall, within ninety (90) days following the Effective Date, or such other period mutually agreed upon by the parties in writing, take all actions necessary to ensure such collections are deposited directly into the applicable Government Receivables Bank Account.

**2.18 Disbursements and Cash Management.** To facilitate the efficient payment of expenses, fees and other amounts payable by or on behalf of ASC, and the provision of the Administrative Services to be provided or arranged for by Management Company hereunder, ASC elects to participate in Management Company’s cash management system as detailed in this Section 2.18.

(a) ASC will establish and maintain instructions with the banks or other financial institutions at which the Depository Accounts are maintained to transfer or “auto sweep”, by federal wire fund transfer, immediately available funds, by no later than 11:00 a.m. Eastern Time on each Business Day, all amounts deposited in each such account to an account in Management Company’s name and

owned and controlled by Management Company at a bank selected by Management Company (the “Disbursement Account”), subject, with respect to the Commercial Receivables Bank Accounts, to the provisions of Section 2.18(b). ASC will, to the extent required by applicable law, have control over (i) the Commercial Receivables Bank Accounts, if and to the extent that any amounts paid or reimbursed by any Government Program are deposited into such account, and (ii) at all times during the term of this Agreement, the Government Receivables Bank Accounts, and ASC may, during such periods of time, amend, waive, rescind, revoke or terminate the foregoing transfer or sweep instructions; provided, however, that any such action without the prior written consent of Management Company will constitute a material breach of this Agreement by ASC, and thereby trigger Management Company’s right to terminate this Agreement immediately and seek other remedies available to Management Company, and to take any other actions consistent with this Agreement.

(b) To facilitate the payment of refunds, credits and similar amounts owed by ASC in the ordinary course of business and to ensure the availability of funds for expenses paid by ASC prior to the Effective Date, ASC may maintain, and the transfer or sweep instructions required hereunder may provide for, a continuous minimum balance in an amount deemed appropriate by Management Company for such purposes not to exceed \$25,000 in each Depository Account (subject in each case to ASC making such funds available).

(c) ASC expressly acknowledges Management Company may establish, in addition to the Disbursement Accounts, such other deposit accounts at bank(s) selected by Management Company, as determined by Management Company to be necessary or appropriate to manage funds deposited into the Disbursement Accounts and facilitate the efficient provision of Administrative Services and payment of any expenses, fees and other amounts payable by or on behalf of ASC.

(d) ASC expressly authorizes Management Company to make payment to itself or its Affiliates of any amount due to itself or any of its Affiliates by ASC under this Agreement or otherwise, including any Management Fees or repayment of any expenses, advances, loans, accrued interest or other amounts or obligations due to Management Company under this Agreement or other agreements between ASC and/or Management Company or its Affiliates.

**2.19 Intellectual Property.** Management Company and its Affiliates may, from time to time, license or otherwise provide or make available to ASC for the benefit of in the ASC Business, certain logos, trademarks, trade names, service marks, manuals, proprietary documentation and other intellectual property (collectively, the “Intellectual Property”). ASC acknowledges and agrees that all proprietary rights, ownership and goodwill in the Intellectual Property will inure and belong to Management Company, and that any such license to or use by or on behalf of ASC or its agents will not create any interest or right, express or implied, in the Intellectual Property with respect to ASC except for such limited license or right to use. ASC covenants and agrees that it will not assert any claim to any Intellectual Property, and will fully cooperate with Management Company in protecting all of the rights and interests of Management Company and its Affiliates’ in and to the Intellectual Property. ASC will not use any of the Intellectual Property except in connection with the ASC Business during the term hereof, nor in any manner that may contravene any applicable law or impair the validity or enforceability of any Intellectual Property. Simultaneously with the execution and delivery of this Agreement by the parties, ASC and Management Company will execute and deliver a License Agreement, in form and substance mutually acceptable to such parties, under which Management Company will permit ASC to use certain Intellectual Property during the term thereof on the terms and conditions set forth therein.

**III. RESPONSIBILITIES OF ASC**

**3.1 License, Permits and Annual Reports.** ASC will be responsible for ensuring that (i) ASC prepares and files with the appropriate Governmental Authority all applicable annual reports and similar documentation, and (ii) that ASC and its ASC Business have all licenses, permits and authorizations as are necessary or appropriate to operate the ASC Business under applicable laws.

**3.2 Billing Information.** ASC will promptly provide Management Company with all billing information requested or required by Management Company to enable Management Company or its subcontractor or other designee to bill and collect fees, charges and reimbursements on behalf of ASC. ASC will procure any consents to assignments and other approvals and take any other action reasonably necessary to enable Management Company or its subcontractor or other designee to obtain payment or reimbursement from Payors and/or patients. ASC will obtain and maintain, and will ensure each relevant provider procures and maintains, all provider numbers and other credentials necessary to obtain payment or reimbursement for goods and services furnished by or on behalf of ASC.

**3.3 Taxes and Contributions.** ASC will be responsible for withholding and paying, as may be required by law, all federal, state and local taxes and contributions with respect to, assessed against, or measured by ASC's earnings, or salaries or other contributions or benefits paid or made available to any Persons retained, employed or used by ASC and any and all other taxes and contributions applicable to its services for which ASC may be responsible under any laws or regulations, and ASC will be responsible for making or causing to be made all returns and/or reports required in connection with any and all such laws, regulations, taxes, contributions and benefits.

**3.4 Notice of Certain Events.** ASC will give immediate written notice to Management Company of any of the events described in Sections 5.2, 5.3 or 5.5 with respect to ASC, and any disciplinary, malpractice, enforcement, revocation or other proceedings, inquiries, subpoenas, civil investigative demands, investigations or other actions initiated against or involving ASC, as well as the underlying facts and circumstances. In addition, if (during the term hereof or thereafter) ASC receives notice of, or a request to disclose books, documents or records for, an audit, investigation or other review or any action by any Payor or Governmental Authority with respect to this Agreement or any billing, reimbursement, payment, coding or provision of goods or services that occurred during the term of this Agreement, ASC will promptly notify Management Company in writing of the nature and scope thereof and will make available to Management Company, upon request, all such books, documents or records.

**3.5 Use of Facility Locations and Equipment.** ASC will not use any Facility, office space, equipment, goods, supplies or services provided pursuant to this Agreement or provided pursuant to any lease or license by Management Company, for any purpose other than the provision of services at the ASC Business. ASC will comply with all applicable laws governing and regulating the use of such Facility, office space, equipment, goods, supplies and services, and all applicable contractual requirements, including but not limited to the terms and conditions of the Facility Leases. ASC represents and warrants that it is aware of the terms and conditions of the Facility Leases and Management Company agrees to provide ASC, upon written request, with a copy of all material non-economic terms of any Facility Leases executed on or after the Effective Date and any material non-economic changes to the terms of any Facility Leases.

**3.6 Cooperation and Assistance.** ASC will cooperate with Management Company in, and not prevent Management Company from, efficiently performing Administrative Services for the ASC Business. ASC will, from time to time, execute and deliver any further documents, instruments and other assurances, and will take any other action consistent with the terms of this Agreement and applicable law, that may reasonably be requested by Management Company for purposes of effectuating this Agreement.

Consistent with the foregoing, and in consideration for the considerable expenses and business risks to be incurred by Management Company in providing Administrative Services under this Agreement and the parties' mutual interest in the growth of the ASC Business and the provision of goods and services at the ASC Business to patients, and to implement and participate in quality assurance, utilization review, peer review programs and other quality and performance improvement programs provided or arranged for by Management Company.

#### **IV. MANAGEMENT FEES**

**4.1 Management Fees.** In consideration for the Administrative Services, ASC will timely pay to Management Company the fees and amounts described in Schedule 4.1 (the "Management Fees"). ASC expressly authorizes Management Company to make withdrawals or payments of Management Fees to itself from time to time as such Management Fees accrue or become due or payable, from any funds made available by or held on behalf of ASC or otherwise, without any notice to or further authorization from ASC. If Management Fees are not fully paid in that manner, ASC will pay them to Management Company promptly upon request. To the extent that any of the Administrative Services are subject to any applicable sales and use taxes, ASC agrees to pay in addition to the payment of the Management Fees, the applicable sales and use taxes in respect of the portion of the Management Fees attributable to Administrative Services. ASC will not be entitled to set-off or reduction in its Management Fees or other amounts because of a breach or default by Management Company or otherwise.

**4.2 Fair Market Value.** ASC and Management Company acknowledge and agree that all amounts payable to Management Company under this Agreement represent fair market value amounts negotiated between the parties in arms' length negotiations, in light of, among other factors, the considerable expenses and risks to be incurred by Management Company in providing Administrative Services under this Agreement, and the valuable intellectual property, expertise and proprietary know-how that Management Company has developed in providing Administrative Services and that will be made available to ASC under this Agreement. From time to time, Management Company may review the amount of Management Fees it receives under this Agreement and request an increase in the Management Fees (as mutually agreed upon in writing by ASC and Management Company) in order to fairly and reasonably compensate Management Company for its provision of Administrative Services under this Agreement.

**4.3 No Referral of Patients or Splitting of Fees.** ASC and Management Company acknowledge and agree that this Agreement does and will not directly or indirectly condition any payment or amount on the referral of patients, and no payment to Management Company of Management Fees or other amounts under this Agreement is or will be in return for the referral of patients or increased patient volume, and no such payment is or will be construed as splitting or sharing of ASC's or any Physician's professional fees, or any kind of commission, rebate or other remuneration for the referral of patients, nor any division of profits or partnership. Neither party is required to refer patients to any Person, and nothing in this Agreement will be construed as directing, influencing, requiring, inducing, soliciting or reimbursing the referral of any patients.

#### **V. TERM AND TERMINATION**

**5.1 Term.** The term of this Agreement will be for a term of ten (10) years commencing as of the Effective Date, unless earlier terminated as provided in this Article V, and will automatically renew for successive renewal terms of five (5) years each if neither party has notified the other party in writing at least eighteen (18) months prior to the expiration of the then-current term or renewal term of its intention not to renew such then-current term or renewal term. The provisions of Sections 2.17, 2.18, 4.4,

5.6 and 5.7 and Articles VII, VIII and X, and any other provisions which expressly extend beyond the termination or expiration of this Agreement, will survive any termination or expiration of this Agreement.

**5.2 Termination By Either Party Upon Material Breach by Other Party.**

(a) Any party (the “Terminating Party”) may terminate this Agreement if another party (the “Breaching Party”) materially breaches this Agreement or materially defaults in the performance of the Breaching Party’s obligations under this Agreement, and the Breaching Party fails to cure such material breach or default within 180 days (15 days with respect to the payment of money or Article VIII) after the date on which the Terminating Party gives the Breaching Party written notice specifying in reasonable detail the nature, facts and extent of such breach or default (which written notice must be given within 90 days following the date on which the Terminating Party obtains knowledge of such breach or default). Notwithstanding the foregoing, if such breach or default (other than a breach or default with respect to the payment of money or Article VIII) is not reasonably capable of being cured within such 180-day period due to the inherent nature of the breach or default (without regard to the Breaching Party’s financial position, resources or capabilities), and the Breaching Party commences such cure within the 180-day period and acts diligently to cure such breach or default, then the Breaching Party will have such additional period of time as may be reasonably necessary to effect and complete such cure, and the Terminating Party may not terminate this Agreement pursuant to this Section 5.2 with respect to such breach or default during such period or if such breach or default is cured during such period.

(b) If the parties disagree as to the existence of a breach or default which gives rise to termination as provided in this Section 5.2 or whether such breach or default has been cured, then the parties will resolve the disagreement in accordance with Section 10.14, and this Agreement will not be terminated pursuant to this Section 5.2 with respect to such breach or default or alleged breach or default during the period of such dispute resolution, and the parties will continue to perform under this Agreement during such period.

**5.3 Termination Upon Exclusion or Bankruptcy of Other Party.** Each party may terminate this Agreement immediately upon notice to the other party if the other party: (i) is excluded, debarred or suspended from participation in any Government Program; or (ii) consents to the appointment of a receiver, trustee or liquidator of all or substantially all of its assets, files a voluntary petition in bankruptcy, makes a general assignment for the benefit of creditors, or if any order, judgment or decree is entered by any court of competent jurisdiction on the application of a creditor or otherwise adjudicating such other party bankrupt or appointing a receiver, trustee or liquidator of such other party or of all or a substantial part of its assets and such order, judgment or decree continues unstayed and in effect for 60 calendar days after its entry.

**5.4 Termination by Management Company upon Prior Notice.** Management Company may, at any time in its sole discretion, terminate this Agreement upon at least ninety (90) days’ prior written notice to ASC.

**5.5 Termination by Management Company for Cause.** Management Company may terminate this Agreement at any time upon written notice to ASC if any of the following occurs:

(a) Revocation or suspension of ASC’s good standing as a limited liability company and qualification to do business in the State of Tennessee or any other state in which ASC is operating;

(b) ASC is indicted for, convicted of or pleads guilty or no contest to any felony or other crime punishable by imprisonment or any crime of moral turpitude or other conduct that could reasonably be expected to impair the reputation of Management Company;

(c) Any license of the ASC Business is revoked, terminated, limited or suspended, except where such revocation, termination, limitation or suspension is solely the direct result of actions or omissions by Management Company in the provision of Administrative Services hereunder;

(d) ASC is excluded, debarred or suspended from participation in any Government Program; or

(e) If ASC closes or otherwise ceases to own or operate the Facility.

**5.6 Effects of Termination.** Upon any expiration or termination of this Agreement:

(a) All outstanding Management Fees and other amounts owing by ASC to Management Company, including all loans, advances, accounts receivable and accrued interest, will immediately become due and payable to Management Company by ASC. The parties will continue to perform any obligations accrued prior to the termination, including payment by ASC of Management Fees accrued or arising prior to the termination of this Agreement, and repayment of all outstanding loans, advances, accounts receivable and related interest, premiums and penalties, and any obligations, promises or covenants set forth in this Agreement that are expressly made to extend beyond the term, including indemnification, which provisions will survive the expiration or termination of this Agreement for any reason.

(b) Expiration or termination of this Agreement for any reason will not affect any liability or obligation that has accrued to any party prior to such expiration or termination, and will not constitute an election of remedies by the party electing to not renew or terminate this Agreement nor a waiver by such party of any right, benefit, remedy or relief to which such party may be entitled at law, in equity or under this Agreement.

(c) ASC will immediately vacate, surrender and deliver each Facility to Management Company, together with all improvements, equipment, furnishings, supplies and other assets and property therein provided or made available by Management Company, in the same order and condition as when received, ordinary wear and tear excepted.

(d) Management Company shall not be restricted from owning or operating any business or contracting with any other Person, and Management Company or such Person may solicit and employ or engage any personnel or contractors of ASC.

(e) In addition, the parties will cooperate with each other and carry out any provisions of this Agreement that are reasonably necessary to wind up the contractual relationship between the parties, including the following:

(i) ASC will immediately discontinue the use of and will promptly return to Management Company all tradenames, logos and other Intellectual Property and confidential or proprietary information, manuals and other materials of, associated with or respecting Management Company or the Intellectual Property, and will immediately cease to use all software provided or arranged for by Management Company and return all copies of such software and all related documentation and computer programs and any copies thereof;

(ii) Both parties will cooperate to ensure the appropriate billing and collections for goods and services rendered by ASC prior to the termination, and any such collections will be billed, collected, deposited and retained by Management Company as specified in Article II hereof; and

(iii) Subject to HIPAA and other applicable law, Management Company will provide access, at reasonable times and upon reasonable request, to the patient records of ASC for a period not shorter than the applicable statute of limitations for any claim that may be asserted against Management Company arising from its activities or operations of the ASC Business during the term of this Agreement. Subject to applicable law, Management Company may copy (or otherwise duplicate) at its cost and expense such records of ASC retain and use such copies for its own use. To the extent patient records of ASC are maintained electronically on systems (including, without limitation, electronic health records system(s)) owned, licensed, subscribed or otherwise maintained or controlled by Management Company and ASC desires or is otherwise required by applicable law or regulation to maintain copies of such records itself, Management Company will provide access, at reasonable times and upon reasonable prior written request, to permit ASC, at ASC's sole cost and expense, to access and duplicate such records.

## **VI. COMPLIANCE WITH LAWS**

**6.1 Compliance with Laws.** Each party will use its respective commercially reasonable efforts to take such action reasonably necessary to ensure that such party and its personnel complies in all material respects with all applicable federal, state, local and other laws, regulations and ordinances in carrying out such party's respective duties and obligations hereunder.

**6.2 HIPAA.** Without limiting the foregoing, each party will comply with the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and the rules and regulations promulgated thereunder (collectively "HIPAA"), and any applicable state or district patient privacy and security laws, in connection herewith. Management Company and ASC will enter into a Business Associate Agreement in substantially the form and substance of Exhibit B.

**6.3 Enforceability.** The parties have carefully structured this Agreement and the arrangements hereunder to comply with applicable laws and regulations, and have consulted to their satisfaction with their respective legal counsel in connection herewith. Each party acknowledges and agrees that this Agreement and such arrangements are valid, legal and enforceable obligations of such party, and agrees that it will not make, assert, maintain or initiate, nor cause to be made, asserted, maintained or initiated, any claim, charge, demand, action, arbitration or proceeding of any type, the basis of which is, in whole or in part, that this Agreement or any portion hereof, or the relationships created hereby, is illegal, or that any amount payable to Management Company under this Agreement is unreasonable or unlawful or does not represent fair market value for the Administrative Services and other items provided by Management Company. If any party takes any action which is inconsistent with the preceding sentence, then such party will pay all costs and expenses (including attorneys' fees) incurred by the other parties in defending or responding to such claim, charge, demand, action, arbitration or proceeding, which payment will be made promptly to such other party upon its request.

**6.4 Changes In Applicable Laws.** If there is a change in any applicable law or the interpretation or application thereof, or the adoption, enactment, promulgation, issuance, rendering or interpretation or application of any new applicable law, any of which are reasonably likely to adversely affect the manner in which any party hereto may perform or be compensated for its services under this Agreement or which will make this Agreement or the arrangements hereunder unlawful or illegal, then the parties will promptly enter into good faith negotiations regarding an amendment of this Agreement or a new service arrangement or basis for compensation for the services furnished pursuant to this Agreement that complies with the applicable law, interpretation or application, and that approximates as closely as possible the economic arrangements and position of the parties hereunder. If the parties are



unable to resolve the matter through good faith negotiations within 60 days thereafter, then either party may initiate the dispute resolution procedures set forth in Section 10.14.

## **VII. INSURANCE AND INDEMNIFICATION**

**7.1 Management Company Insurance.** Management Company will procure and maintain commercial general liability insurance, and property insurance covering the Facility and equipment provided by Management Company hereunder, through any commercial carrier or through any program of self-insurance that complies with reasonable actuarial standards or through an Affiliate acting in the capacity as agent or insurance company, including off-shore captive insurance companies, in each case in such amounts and coverages as determined appropriate by Management Company.

**7.2 Professional Liability Insurance.** ASC will procure and maintain throughout the term of this Agreement a policy of professional liability insurance, which will name Management Company as an insured or additional insured and provide for at least thirty (30) days' advance written notice from the insurer as to any alteration of coverage, cancellation or other termination, and which will insure ASC against its actions and omissions, with minimum coverage of at least \$1,000,000 per occurrence and \$3,000,000 annual aggregate. ASC will maintain copies of such professional liability insurance and will, upon request by Management Company, provide Management Company proof of such coverages.

**7.3 Tail Coverage.** If at any time so-called "claims made" professional liability insurance coverage is maintained by ASC, then upon termination or expiration of this Agreement, ASC will obtain and pay the premiums for "tail coverage" covering the period during the term hereof or such employment or engagement as applicable, and will provide proof of such coverage to Management Company upon request.

### **7.4 Indemnification.**

(a) ASC agrees to indemnify and hold harmless Management Company and its Affiliates and their respective officers, directors, members, owners, managers, employees and agents, for and from any and all liabilities, losses, costs, expenses or obligations (including, without limitation, reasonable attorneys' fees, court costs, and other expenses), whether or not taxable, incurred by Management Company or such other Persons (to the extent not paid by any applicable insurance, whether due to exclusion, policy limits or otherwise) (collectively, "Losses") arising out of or relating to any breach of this Agreement by ASC or any willful misconduct or gross negligence of ASC.

(b) Management Company agrees to indemnify and hold harmless ASC and its Affiliates, employees, officers, managers and agents for and from any and all Losses arising out of or relating to any breach of this Agreement by Management Company or any willful misconduct or gross negligence of Management Company.

(c) If any claim is made against a party hereto that, if sustained, would give rise to a right of indemnity under this Section 7.4, the party having the claim made against it will give the other party notice thereof (specifying the nature and, to the extent known, amount of the claim) promptly becoming aware of such claim; provided that any delay or failure in providing such notice will not affect the obligation of indemnity hereunder except to the extent that the indemnifying party is materially prejudiced thereby.

(d) The rights of indemnification contained in this Section 7.4 shall survive any expiration or termination of this Agreement and shall be in addition to any other rights or remedies which any party may have at law or equity.

**VIII. RESTRICTIVE COVENANTS**

**8.1 No Competing Services.** ASC agrees that, during the term of this Agreement and for a period of two (2) years immediately following any termination or expiration of this Agreement, ASC will not in any manner, directly or indirectly (whether as owner, partner, agent, consultant, co-venturer, equity holder, manager or in any other manner or capacity), individually or in conjunction with or on behalf of any other Person, provide, nor establish or own any financial, beneficial or other interest in (other than an interest consisting of less than 2% of a class of publicly traded security), make any loan to or for the benefit of, lend its name or render any management, marketing, consulting or other business advice to, any Person engaging or planning to engage in (i) (A) the provision of urology, radiation oncology, pathology or other professional medical services the same as or similar to those offered by Medical Group during the term of this Agreement or (B) the operation or management of any ambulatory surgery center, or any outpatient medical facility or other medical entity offering outpatient surgical services (collectively, "Competing Services"), in each case anywhere within a twenty (20) mile radius extending in all directions from the location of each Facility operated at any time during the term of this Agreement (or that Medical Group or ASC has taken steps to open, develop or acquire at any time during the term) or (ii) any business, management, marketing, support, consulting, advisory, financing or other administrative services to any physician, group, practice or other Person engaging or planning to engage in the provision of Competing Services anywhere in the State of Tennessee or any other state or jurisdiction in which Medical Group, ASC, or Management Company operates or has taken steps to commence operations at any time during the term of this Agreement.

**8.2 Non-Solicitation.** ASC agrees that during the term of this Agreement and for a period of 2 years immediately following any termination or expiration of this Agreement, ASC will not in any manner, directly or indirectly (whether as owner, partner, agent, consultant, co-venturer, equity holder, manager or in any other manner or capacity), individually or in conjunction with or on behalf of any other Person (i) disrupt or interfere with, or attempt to disrupt or interfere with, any contractual or other business relationship between Management Company and any other Person; nor (ii) solicit for employment or engagement nor hire, or attempt to solicit or hire, any Person who is, at the time of such solicitation or hiring or at any time during the preceding 12 months, employed or engaged by Management Company or any of its Affiliates, nor induce or attempt to induce any Person employed or engaged by Management Company or its Affiliates to terminate or modify such Person's employment or engagement with Management Company or its Affiliates.

**8.3 Non-Disclosure.** During the term of this Agreement and following any termination or expiration of this Agreement, ASC and its owners, employees or independent contractors will not, in any manner, directly or indirectly, communicate or divulge to any Person, or use for the direct or indirect benefit of any Person, any information or documentation of Management Company or its Affiliates, including without limitation, any forms, manuals, budgets, plans, or information regarding the business methods, business policies, procedures, financial information, techniques or other knowledge or processes of or developed by Management Company or any other trade secrets or other confidential or proprietary information of Management Company (collectively, "Company Information"), except (i) with Management Company's express prior written consent, (ii) to the extent disclosure is required by applicable law, court order or legal process (with prior written notice thereof to and cooperation with Management Company), and (iii) disclosures in confidence to ASC's owner, directors, officers, employees, attorneys, accountants and other representatives who need to know such information in connection with ASC's performance hereunder; provided that, for purposes of this Section 8.3, Company Information will not include information that is generally available to the public other than as a result of a disclosure directly or indirectly by ASC or its owner, employees, independent contractors or other representatives. Immediately upon any termination or expiration of this Agreement, ASC or its Affiliates in possession or control of Company Information, will deliver to Management Company, all documents,

computer discs, flash drives or other forms of recorded information, including all copies thereof, containing Company Information.

**8.4 Non-Disparagement.** During the term of this Agreement and thereafter, ASC will not, directly or indirectly, make or publish or cause to be made or published, orally or in writing, any derogatory, disparaging, demeaning or belittling statements regarding Management Company or its services or Affiliates or their respective officers, directors, managers, shareholders, members, owners or employees.

**8.5 Reasonableness of Restrictions; Remedies.**

(a) The parties acknowledge that the restrictions contained in this Article VIII are reasonable and necessary to protect the legitimate business interests of Management Company and that Management Company would not have entered into this Agreement without the restrictive covenants contained herein, that the violation of these covenants will result in irreparable injury to Management Company, and that the remedy at law for any such violation or threatened violation would be inadequate. Therefore, in the event of any actual or threatened breach of this Article VIII, ASC hereby waives and agrees not to assert any defense to the effect that Management Company has an adequate remedy at law with respect to such breach, and Management Company may, in addition to any other relief available to it, obtain a temporary restraining order and injunction against ASC, without the necessity of posting bond or proving irreparable harm or damages, the same being conclusively admitted by ASC. Additionally, Management Company will be entitled to pursue any other remedies available to it at law or in equity for such actual or threatened breach, including the recovery of damages and reasonable attorney's fees from ASC. If ASC breaches this Article VIII, Management Company will be entitled to the benefit of the full period of the applicable restrictive covenant and, accordingly, the applicable period of restriction will be extended by the period of the duration of such breach for any period that ASC is in breach of this Article VIII.

(b) If any provision of this Article VIII relating to the restrictive period, scope of activity restricted and/or the territory described therein will be declared by a court of competent jurisdiction to exceed the maximum time period, scope of activity restricted or geographical area such court deems reasonable and enforceable under applicable law, the time period, scope of activity restricted and/or area of restriction held reasonable and enforceable by the court will thereafter be the restrictive period, scope of activity restricted and/or the territory applicable to the restrictive covenant provisions in this Article VIII. The parties have attempted to limit the provisions of this Article VIII only to the extent necessary to protect each party's interest. However, the parties hereby agree that, in the event that any provision, section or subsection of this Article VIII is adjudged by any court of competent jurisdiction to be void or unenforceable, in whole or part, such court will modify and enforce any such provision, section or subsection to the extent that it believes to be reasonable under the circumstances.

**IX. REPRESENTATIONS AND WARRANTIES**

**9.1 Representation and Warranties of ASC.**

(a) ASC is and during the term of this Agreement will be organized and validly existing as a limited liability company and in good standing under the laws of the State of Tennessee, and have and will have the power and authority to own, operate and use its assets and provide goods and services at the ASC Business in the State of Tennessee and each other state, territory or other jurisdiction in which ASC maintains a Facility.

(b) ASC has the power and authority to execute, deliver and perform this Agreement and each of the other agreements referenced herein, each of which has been authorized by all necessary corporate action on the part of ASC. This Agreement and each of the agreements referenced herein has been executed and delivered by ASC and are valid and binding obligations of ASC, enforceable against it in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and general legal principles governing the availability of equitable remedies.

(c) Neither the execution or delivery of this Agreement or any of the agreements referenced herein nor the performance by ASC of its obligations hereunder or thereunder (i) breach, conflict with, or constitute a default under ASC's governing or organizational documents, or any material contract, lease, note or other agreement to which ASC is a party, (ii) result in the creation or imposition of liens in favor of any third Person, or (iii) violate any applicable law or order.

(d) ASC is not and has not been suspended, excluded or debarred from participation in from participation in any Government Program. No proceedings or other actions are pending or threatened against ASC which could result in exclusion, debarment or suspension from participation in any Government Program.

**9.2 Representations and Warranties of Management Company.**

(a) Management Company is organized and validly existing as a limited liability company and in good standing under the laws of the State of Delaware and has the power and authority to enter into this Agreement and perform its obligations hereunder.

(b) Management Company has the power and authority to execute, deliver and perform this Agreement and each of the other agreements referenced herein, each of which has been authorized by all necessary corporate action on the part of Management Company. This Agreement and each of the agreements referenced herein has been executed and delivered by Management Company and is a valid and binding obligation of Management Company, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and general legal principles governing the availability of equitable remedies.

(c) Management Company is not suspended, excluded or debarred from participation in from participation in any Government Program, and no such proceedings or other actions are pending against Management Company.

**X. MISCELLANEOUS**

**10.1 Severability.** Except as otherwise provided in Section 8.5(b), if any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws in effect during the term of this Agreement, the legality, validity or enforceability of the remaining provisions of this Agreement will not be affected thereby, and in lieu of such illegal, invalid or unenforceable provision, there will be added automatically as part of this Agreement a provision as similar in terms to such illegal, invalid or unenforceable provision as may be legal, valid and enforceable; provided, however, that if the effect of the severance of such unenforceable provision is to substantially deprive Management Company of the benefit of this Agreement, Management Company may terminate this Agreement immediately upon written notice to ASC.

**10.2 Waiver; Consents.** No consent or waiver, express or implied, by either party hereto or of any breach or default by the other party in the performance by the other of its obligations hereunder will be valid unless in a writing signed by the party to be charged thereby, and no such consent or waiver will be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other party of the same or any other obligations of such party hereunder. Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of how long such failure continues, will not constitute a waiver by such party of its rights hereunder. The granting of any consent or approval in any other instance by or on behalf of ASC and/or Management Company will not be construed to waive or limit the need for such consent in any other or subsequent instance.

**10.3 Governing Law; Venue; Attorneys' Fees.** This Agreement will be governed by the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Subject to the provisions of Section 10.14, all actions, suits or other proceedings with respect to this Agreement will be brought only in a court of competent jurisdiction sitting in the State of Delaware. In any civil action, arbitration or other proceeding brought to enforce the terms hereof, or to redress a breach of a term hereof, the more prevailing party will be entitled to payment from the non-prevailing party of its reasonable attorneys' fees and expenses in addition to any damages or other relief to which it may become entitled.

**10.4 Force Majeure.** Either party will be excused for failures and delays in performance of its respective obligations under this Agreement due to any cause beyond the control and without the fault of such party, including without limitation, any act of God, war, riot or insurrection, law or regulation, strike, flood, fire, explosion or inability due to any of the aforementioned causes to obtain necessary labor, materials or facilities. This Section 10.4 will not, however, release such party from using its reasonable best efforts to avoid or remove such cause and such party will continue performance hereunder with the utmost dispatch whenever such causes are removed. Upon claiming any such excuse or delay for non-performance, such party will give prompt written notice thereof to the other party, provided that failure to give such notice will not in any way limit the operation of this Section 10.4.

**10.5 Remedies.** All rights, powers and remedies granted to either party by any particular term of this Agreement are in addition to, and not in limitation of, any rights, powers or remedies which it has under any other term of this Agreement, at common law, in equity, by statute or otherwise. All such rights powers and remedies may be exercised separately or concurrently, in such order and as often as may be deemed expedient by either party.

**10.6 Assignability; Binding Effect.** Neither this Agreement nor any interest herein may be assigned in whole or in part by either party without obtaining the prior written consent of the other party; provided, however, that Management Company may (a) assign, delegate, transfer or convey its rights, benefits and/or obligations hereunder (whether by merger, consolidation, operation or otherwise) to (i) a parent, subsidiary or Affiliate thereof or (ii) any entity into which Management Company is merged or with which Management Company is consolidated or to a purchaser of all or substantially all of the assets or capital stock of Management Company or its parent or Affiliate or as part of a corporate reorganization, and (b) collaterally assign its rights and benefits hereunder to any lender, for security purposes or as collateral. The provisions of this Agreement will be binding upon and will inure to the benefit of the parties' successors and permitted assigns, respectively, but this provision will not constitute a consent by either party to assignment by the other party otherwise prohibited by the preceding sentence.

**10.7 Amendment.** This Agreement (together with the exhibits and schedules hereto) constitutes the entire agreement between the parties hereto relating to the subject matter of this Agreement. To be effective, any amendment or modification of this Agreement must be in writing and

signed by or on behalf of each of the parties hereto. For purposes of this Section 10.7, except as set forth in Section 6.4, amendments to this Agreement that affect any of the following categories must be approved by an Original Senior Physician Approval in order to be effective and binding on ASC: (a) any revision, directly or indirectly, to any of the economic terms in Schedule 4.1; and (b) any other revision that materially and adversely impacts the economic terms of this Agreement. Moreover, the parties shall not, without an Original Senior Physician Approval, terminate this Agreement or initiate, resolve or settle a dispute if such termination, initiation, resolution or settlement has an intent or effect of the parties entering into a new agreement or revision to this Agreement that effectuates any of the changes described in the preceding sentence.

**10.8 Third Party Beneficiaries.** Each of the Original Senior Physicians shall be third-party beneficiaries of this Agreement for purposes of enforcing their rights with respect to Original Senior Physician Approvals and Executive Council Approvals.

**10.9 Headings; Interpretation.** The headings of the Sections and Articles of this Agreement are inserted for convenience of reference only and will not in any manner affect the construction or meaning of anything herein contained or govern the rights or liabilities of the parties hereto. Each party has read this Agreement in full, has had the opportunity for independent review by its legal and other counsel, and has consulted with and been advised by such counsel, and the terms and conditions contained herein have been arrived at by arm's length negotiations between the parties. The parties intend that rules of interpretation or construction of contracts that would construe any ambiguity herein against the draftsman, by virtue of being the draftsman, will not apply.

**10.10 Counterparts.** This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. In making proof with respect to this Agreement, it will be necessary to produce only one copy hereof signed by the party to be charged. The parties may deliver executed counterpart signature pages to this Agreement by facsimile transmission, by electronic mail in .pdf form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, and such delivery will have the same effect as physical delivery of the paper document bearing an original signature.

**10.11 Notices.** All notices, requests, demands, claims and other communications required or permitted to be delivered, given or otherwise provided under this Agreement must be in writing and must be delivered, given or otherwise provided: (a) by hand (in which case, it will be effective upon delivery); (b) by facsimile or email (in which case, it will be effective upon receipt of confirmation of good transmission); or (c) by overnight delivery by a nationally recognized courier service (in which case, it will be effective on the next Business Day after being deposited with such courier service), (x) if to Management Company: CUA Opco, LLC, 25 Crossroads Drive, Suite 306, Owings Mills, Maryland 21117, Facsimile: (443) 738-2734, Email: sbass@cua.md, Attention: Steve Bass, with a mandatory concurrent copy to: c/o Audax Management Company, LLC, 101 Huntington Avenue, Boston, MA 02199, Facsimile number: (617) 859-1600, Email: aabramson@audaxgroup.com and dweintraub@audaxgroup.com, Attention: Adam Abramson and General Counsel, and (y) if to ASC: Urologic Surgery Center of Knoxville, LLC, 25 Crossroads Drive, Suite 306, Owings Mills, Maryland 21117, Facsimile number: (443) 738-9390, Email: ssiegel@cua.md, Attention: President. Each party may change its address or any portion thereof for purposes of this Section 10.10 by giving notice to the other party as provided above, but such notice of change in address will be effective only upon actual receipt by the other party.

**10.12 Records Access.** Each party agrees to generate and retain such records and make such disclosures as may be required, from time to time, by any governmental healthcare payment program with

respect to this Agreement and the rendition of services hereunder, in order to assure satisfaction of all requirements for participation and payment associated with such programs.

**10.13 No Warranties.** ASC acknowledges that Management Company has not made and will not make any express or implied warranties or representations that the Administrative Services provided by Management Company will result in any amount or level of revenue or profits to ASC and that MANAGEMENT COMPANY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, HEREUNDER, AND ALL EQUIPMENT, SOFTWARE AND OTHER ASSETS ARE PROVIDED BY MANAGEMENT COMPANY “AS IS,” AND ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, WITH RESPECT THERETO OR ANY SERVICES PROVIDED HEREUNDER ARE HEREBY WAIVED, INCLUDING ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

**10.14 Dispute Resolution.** Any dispute, claim or controversy between or among the parties to this Agreement, whether arising in contract, tort or by statute, including but not limited to controversies or claims that arise out of or relate to this Agreement and any dispute or claim concerning the existence, validity, interpretation, performance, breach or termination of this Agreement and all claims of arbitrability (any of the foregoing, a “Dispute”) will be resolved exclusively as follows:

(a) Upon the written demand of either party hereto, the Dispute will be submitted to mediation administered by the American Health Lawyers Association or its successor (“AHLA”) in accordance with its Alternative Dispute Resolution Service Rules of Procedure for Mediation. Representatives of the parties with authority to settle the Dispute will participate in the mediation. The mediator will be selected and appointed in accordance with such AHLA rules, and the mediation will be conducted in the State of Delaware. Each party may be represented by one or more attorneys or other selected representative(s) of its choice. Each party will bear and pay equally the fees and expenses of AHLA and the mediator associated with the mediation, and each party will bear its own attorneys’ fees, costs and other expenses in connection with the mediation (except as may be otherwise agreed upon in writing by the parties).

(b) If no amicable resolution or settlement of the Dispute is reached during the mediation process within sixty (60) days after it commences, then upon the written demand of either party, the Dispute will be submitted to final and binding arbitration, which will be conducted expeditiously and completed within one hundred twenty (120) days after being submitted for arbitration. The arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ et seq.). Unless otherwise agreed in writing by the parties, the arbitration will be administered by the AHLA and conducted by a panel of three arbitrators in accordance with the AHLA Alternative Dispute Resolution Service Rules of Procedure for Arbitration then in effect. The arbitrators will be selected and appointed in accordance with such AHLA rules, and the arbitration will be conducted in the State of Delaware. Each party may be represented by one or more attorneys or other selected representative(s) of its choice. Each party will bear and pay equally the fees and expenses of AHLA and the arbitrators associated with the arbitration, and each party will bear its own attorneys’ fees, costs and other expenses in connection with the arbitration, except as may be otherwise awarded by the arbitrators as contemplated in Section 10.3. The arbitration award will be final and binding, and judgment on it may be entered by any court of competent jurisdiction. If the arbitrators determine that this Agreement or any part thereof (whether this Agreement itself or together with the other relationships between or involving the parties) is illegal, invalid, unenforceable, void or voidable, then the arbitrators will determine and effectuate an equitable modification of this Agreement (including a new management arrangement or basis for compensation to Management Company pursuant to the Agreement) that complies with applicable law and that approximates as closely as possible the economic arrangements and position of the parties hereunder.

(c) During the pendency of any such mediation or arbitration and until final judgment thereon has been entered, this Agreement will remain in full force and effect unless otherwise terminated as provided hereunder, and each party is required to continue to perform its obligations under this Agreement pending final resolution of a Dispute arising out of or relating to this Agreement. All privileges under applicable state and federal law, including attorney-client and work-product privileges, will be preserved and protected to the maximum extent that such privileges would be protected in a federal or state court proceeding applying Delaware law. The arbitration proceedings and arbitration award will be maintained by the parties as strictly confidential, except as is otherwise required by court order or as is necessary to confirm, vacate or enforce the award and for disclosure to the parties' respective officers, directors, employees, equityholders, attorneys, accountants, lenders, acquirers and prospective lenders and acquirers (and advisors of the foregoing). The provisions of this Section 10.14 will survive expiration or other termination of this Agreement regardless of the cause of such expiration or termination. This Section 10.14 will not preclude Management Company from seeking, or a court of competent jurisdiction from granting, a temporary restraining order, temporary injunction or other equitable relief to remedy any breach or to enforce applicable terms of this Agreement to compel mediation or arbitration or upon the occurrence of (i) breach or threatened breach of any confidentiality, non-competition, non-solicitation or other restrictive covenants herein, (ii) eviction of ASC from any Facility or office space, or (iii) any attempted assignment of ASC's interests in this Agreement in breach of the provisions of this Agreement.

(d) BY AGREEING TO BINDING ARBITRATION PURSUANT TO THIS SECTION 10.14, THE PARTIES IRREVOCABLY AND VOLUNTARILY WAIVE ANY RIGHT THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE.

**[The remainder of this page intentionally left blank. Signature page follows.]**



**July 26, 2018**

**9:53 A.M.**

IN WITNESS WHEREOF, the parties enter into this Agreement as of the date first written above.

ASC:

Urologic Surgery Center of Knoxville, LLC

By: \_\_\_\_\_

Name: Sanford J. Siegel, MD

Title: President and Chief Executive Officer

**July 26, 2018**

**9:53 A.M.**

**MANAGEMENT COMPANY:**

CUA OPCO, LLC

By: \_\_\_\_\_

Name: Sanford J. Siegel, MD

Title: President and Chief Executive Officer

**SCHEDULE 1.2**

**ASC BUSINESS LOCATIONS**

[\_\_\_\_\_]

**SCHEDULE 4.1**

**MANAGEMENT FEES**

Pursuant to the terms of this Agreement and in consideration of the Administrative Services provided by Management Company, ASC will pay to Management Company a fee equal to (i) six percent (6%) of the ASC's Net Revenues annually, plus (ii) reimbursement of expenses incurred by Management Company on behalf of ASC (collectively, the "Management Fee"). "Net Revenue" shall mean total patient revenues and other operating revenue (including the proceeds of claims under business interruption insurance policies) minus contractual allowances, provision for bad debt, charity care, condemnation awards, proceeds of claims under casualty insurance policies, proceeds from a sale or debt refinancing, and other capital transactions outside the ordinary course of business, each as determined pursuant to generally accepted accounting principles, as consistently applied by the Management Company ("GAAP"), on an accrual basis of accounting.

**EXHIBIT A**

**DEFINITIONS**

For purposes of this Agreement:

“Action” means any claim, complaint, action, cause of action, suit (whether in contract, tort or otherwise) or litigation (whether at law or in equity and whether civil or criminal), controversy, assessment, grievance, arbitration, investigation, opposition, interference, hearing, charge, complaint, demand, notice or proceeding to, from, by or before any Governmental Authority.

“Affiliate” means, with respect to any designated Person at any time: (i) each Person which directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, the designated Person at such time; (ii) each Person which beneficially owns or holds 10% or more of any class of the voting equity securities of the designated Person (or in the case of a designated Person which is not a corporation, 10% or more of the equity interests of the designated Person); or (iii) each Person of which such designated Person beneficially owns or holds 10% or more of the voting equity securities (or in the case of a Person which is not a corporation, 10% or more of the equity interests). The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities by contract or otherwise.

“ASC” means Urologic Surgery Center of Knoxville, LLC, a Tennessee limited liability company.

“Business Day” means any day, other than a Saturday, Sunday or any other day on which banks located in Boston, Massachusetts or any other such location duly agreed to by the parties, are authorized or required by applicable law to be closed.

“Governmental Authority” means any United States federal, state, local or other governmental body or any foreign government, including any political subdivision thereof, or any authority, court, tribunal, agency or commission entitled to exercise any administrative, executive, judicial, legislative, regulatory or taxing authority or power (including any department, bureau, division or contractor thereof), or any mediator, arbitrator or arbitral body.

“Original Senior Physicians” means the Senior Division Physicians set forth on Exhibit C.

“Original Senior Physician Approval” means an affirmative vote of seventy-five percent (75%) of the Original Senior Physicians who are employed by Medical Group as Senior Division Physicians at the time of such vote approving the proposed action, provided that at such time there are fewer than three (3) Original Senior Physicians remaining employed by Medical Group, “Original Senior Physician Approval” shall mean approval by the Executive Council. Such an Original Senior Physician Approval shall be conducted as follows: (a) Medical Group’s President shall provide written notice of the action that is subject to the Original Senior Physician Approval to the Executive Council’s President, who shall promptly provide such notice to the other Original Senior Physicians; (b) within thirty (30) days of the Executive Council President’s receipt of the notice from Medical Group’s President, each Original Senior Physician shall deliver his or her vote of whether to approve such action to the Executive Council’s President (who will deliver it by proxy to Medical Group’s President), in writing or via email, text, telephone call or other reasonable means of communicating such Original Senior Physician’s vote; and (c) if an Original Senior Physician does not deliver a vote to the President of the Executive Council within

**July 26, 2018**

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such thirty (30) day period, such Original Senior Physician shall be deemed to have voted in favor of approving the proposed action.

“Person” means any natural person, corporation, limited liability company, partnership, trust, joint venture, association, company, government or political subdivision, agency or instrumentality, or other entity.

“Physician” means an individual who is licensed to practice medicine as a “physician” under the laws of the State of Tennessee or other applicable law, performs professional services for or on behalf of Medical Group in such capacity, and who is either an employee or independent contractor of Medical Group.

**EXHIBIT B**

**BUSINESS ASSOCIATE AGREEMENT**

See attached.

**EXHIBIT C**

**ORIGINAL SENIOR PHYSICIANS**

1. Mark G. Bowles, M.D.
2. Katherine M. Cameron, M.D.
3. Stuart A. Chasan, M.D.
4. Walter W. Chiles, III, M.D.
5. Lee Congleton, III, M.D.
6. Brandon Cottrell, M.D.
7. Christopher D. Harris, M.D.
8. Timothy LeRoy, M.D.
9. Garrett H. Lischer, M.D.
10. Eric R. Nicely, M.D.
11. Brian D. Parker, M.D.
12. Randall E. Pearson, M.D.
13. Christopher Eric Ramsey, M.D.
14. T. Preston Sheperd, M.D.
15. Adam Shrewsberry, M.D.





**Steve Bass  
United Urology Group  
Chesapeake Urology Associates**

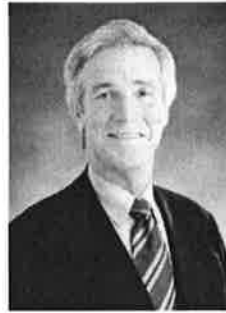
Mr. Bass joined Chesapeake Urology Associates in January 2008 and currently serves as the company's Executive Vice President, Chief Financial Officer, Secretary and Treasurer. He serves in those same capacities at United Urology Group, a urology management services organization formed out of a transaction between Chesapeake Urology and Audax Private Equity in August 2016.

In those roles, Mr. Bass is responsible for all merger and acquisition activities, strategic business development, corporate administration, real estate, accounting and finance, and information technology.

Prior to joining Chesapeake Urology, Mr. Bass was Vice President of Finance for Aether Systems, a publicly traded wireless technology company. Before serving Aether Systems, Mr. Bass was the Chief Financial Officer for Alpine Medical, LLC, a regional provider of home respiratory therapy services.

From June 1996 to September 1998, he was President and CEO of HealthObjects Corporation, a developer of specialized pharmacy software for the institutional pharmacy market. Prior to that, Mr. Bass was Vice President and Managing Director of Neighborcare Pharmacies, a regional provider of pharmaceutical care services, before joining HealthObjects. While at Neighborcare, he developed and managed the company's institutional and home infusion therapy operations.

Mr. Bass received his Bachelor of Science degree from Towson University and is a certified public accountant.



**Sanford J. Siegel, M.D., F.A.C.S.**

Sanford J. Siegel, M.D., is the President and Chief Executive Officer of United Urology Group. United Urology Group is a urology focused management services organization formed in August, 2016 to expand the Chesapeake Urology Associates independent medical practice model to urology groups across the nation. Dr. Siegel also serves as the Chief Executive Officer of Chesapeake Urology Associates, LLC.

Dr. Siegel founded Chesapeake Urology Associates in 1999 and was elected President and Chief Executive Officer in 2006 when Baltimore's three largest urology practices merged. In that role, Dr. Siegel built the company into one of the country's most prominent urology practices, and the largest in the Mid-Atlantic Region.

Dr. Siegel had been in private practice, primarily in the Baltimore area, since 1983. He earned his medical degree from the University of Maryland School of Medicine and completed his specialty training in urology at Temple University Hospital in Philadelphia.

In 2006, Dr. Siegel initiated the Chesapeake Urology Associates Scholarship Fund in conjunction with the Central Scholarship Bureau to provide scholarship assistance to full-time students pursuing degrees in medicine, nursing and ancillary health fields. He also established the Chesapeake Urology Associates/American Urological Association's Urology Care Foundation Research Scholar program to fund prostate cancer research. In 2007, he led the formation of the ZERO Prostate Cancer Challenge® (ZPCC, formerly the Great Prostate Cancer Challenge) to raise funds for prostate cancer research and awareness and to provide prostate cancer screenings to those in need. The ZPCC is the only physician-led program of its kind in the country and has grown to 40 chapters supported by urology practices across the nation.

Dr. Siegel is a recognized leader in the Baltimore and Maryland communities. He was honored by the State of Maryland with a Governor's Citations for outstanding commitment to the prevention, diagnoses and treatment of prostate cancer in the African American community, and by the Maryland General Assembly with an Official Citation in recognition of his dedication to prostate cancer research and treatment, and an Official Citation for outstanding leadership and significant contributions in the field of medicine. The City of Baltimore also recognized Dr. Siegel for his outstanding leadership and significant contributions to the field of medicine, his dedication to improving the health of minorities and for his commitment to the betterment of the community. The Baltimore Sun Media Group awarded Dr. Siegel with its Top Leadership award in 2015.

Dr. Siegel is a member of the American Urological Association's Urology Care Foundation Board of Directors. He is a founding member of the Large Urology Group Practice Association (LUGPA), which was formed in 2008, and served as a member of its Board of Directors and chair of both the Government Affairs and Advocacy committees from 2008 through October 2014. Dr. Siegel previously served on the board of directors for ZERO – The End of Prostate Cancer and currently is a board member of the Park Heights Community Health Alliance (PHCHA).

TAB 5

**July 26, 2018**

**9:53 A.M.**

**OPTION TO PURCHASE REAL ESTATE AGREEMENT**

THIS OPTION TO PURCHASE REAL ESTATE AGREEMENT is made and entered into as of this 25 day of July, 2018, by and between Pellissippi Dutchtown General Partnership ("Seller" and Century Park Building VIII, LLC ("Purchaser").

**WITNESSETH**

WHEREAS, Seller owns real estate including the property described in Exhibit A hereto (the "Property"); and

WHEREAS, Purchaser desires to enter into an option with Seller whereby Seller grants to Purchaser the option to purchase the Property which is certain parcel(s) of real property, not to exceed five (5) acres, comprising a portion of Lot 8 shown on the final Plan of Resubdivision of Lot 3R-1R Century Park recorded with the Knox County Register of Deeds bearing Instrument No. 201510300026766, which portion is bordered by Century Park Boulevard, Global Way and Sherrill Boulevard and more particularly shows as the "Proposed Site Location" on Exhibit A attached hereto.

NOW, THEREFORE, for and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

**SECTION I  
GRANT OF OPTION**

- 1.1 Seller hereby grants to Purchaser an exclusive option to purchase the Property, upon the terms and conditions set forth herein for good and valuable consideration in the amount of \$100.00.
- 1.2 The term of Purchaser's option to purchase the Property shall commence on the due date hereof and shall continue for a period of one hundred eighty (180) days from the date hereof (the "Option Period").
- 1.3 Purchaser shall exercise its option to acquire the Property by delivering written notice to Seller within the Option Period by registered or certified mail, or in person.
- 1.4 The parties agree that the Property is to be used for the development of a Medical Office Building, which is planned to include an ambulatory surgical treatment center.

**SECTION II  
TERMS AND CONDITIONS OF THE OPTION TO PURCHASE REAL ESTATE**

- 2.1 The parties agree to execute a real estate purchase agreement, subject to any terms and conditions contained in this Option to Purchase Real Estate Agreement and with such other terms as will be mutually agreed upon.

**July 26, 2018**

**9:53 A.M.**

2.2 The price for the Property shall be \$2,000,000.

**SECTION III  
MISCELLANEOUS PROVISIONS**

3.1 Any notices required or permitted herein shall be addressed as follows:

As to Seller: Pellissippi Dutchtown General Partnership  
1225 East Weisgarber Road, Suite 160  
Knoxville, TN 37909  
Attention: Nick Cazana

As to Purchaser: Century Park Building VIII, LLC  
1225 East Weisgarber Road, Suite 160  
Knoxville, TN 37909  
Attention: Trey Benefield

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

SELLER: Pellissippi Dutchtown General Partnership  
By: Cazana Family (Pellissippi) General Partnership Its: Managing General Partner  
By: GG Lucky, LLC Its: General Partner

By: \_\_\_\_\_  
Title: Chief Manager  
Date: 7-25-18

PURCHASER: Century Park Building VIII, LLC

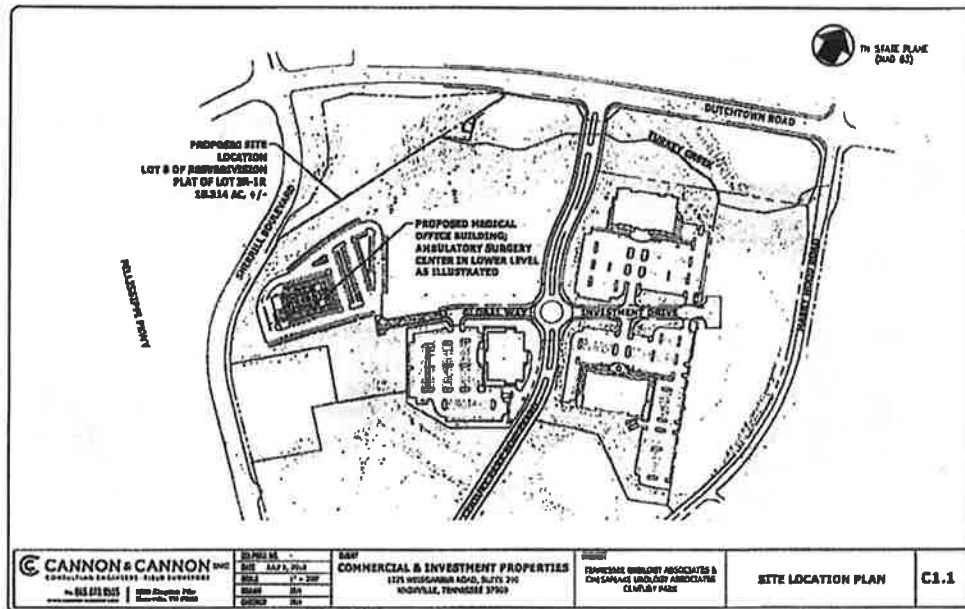
By: \_\_\_\_\_  
Title: President  
Date: 7.25-18

July 26, 2018

9:53 A.M.

Exhibit A

Depiction of Property



OPTION TO LEASE AGREEMENT

THIS OPTION TO LEASE AGREEMENT (this "Agreement") is made and entered into as of this 25<sup>th</sup> day of July, 2018 (the "Effective Date), by and between Century Park Building VIII, LLC, a Tennessee limited liability company ("Lessor") and CUA Opco, LLC, a Delaware limited liability company ("Lessee").

WITNESSETH

WHEREAS, Lessor has an option (the "Purchase Option") to acquire certain parcel(s) of real property comprising a portion of Lot 8 shown on the Final Plan of Resubdivision of Lot 3R-1R Century Park recorded with the Knox County Register of Deeds bearing Instrument No. 201510300026766, which portion is bordered by Century Park Boulevard, Global Way and Sherrill Boulevard and more particularly shown as the "Proposed Site Location" on Exhibit A attached hereto (such portion being the "Property");

WHEREAS, Lessor intends to exercise the Purchase Option to acquire the Property and to construct a two (2) story Class A medical office building containing approximately 36,000 square feet of space on the Property and constructed according to plans mutually agreed upon by Lessor and Lessee (such to be developed building referred to herein as the "Building"); and

WHEREAS, Lessor desires to grant to Lessee the option to lease the Building for the operation of medical offices and medical practices and ancillary uses related thereto, including, without limitation, the operation of an ambulatory surgery treatment center, and the operation of urology practices, urology surgery centers, and services generally provided by urology practices and/or urology surgery centers now and in the future (collectively, the "Permitted Use").

NOW, THEREFORE, for and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1  
GRANT OF OPTION

1.1 Lessor hereby grants to Lessee the exclusive option to lease the Building upon the terms and conditions set forth herein (the "Option"). As consideration for Lessor's grant of the Option, Lessee shall pay the sum of One Hundred and 00/100 Dollars (\$100.00) to Lessor upon the execution of this Agreement.

1.2 The term of the Option shall commence on the Effective Date and shall continue until 5:00pm EST on the first business day after the CON Meeting Date (defined below) (the "Initial Option Period"). As used herein, the term "CON Meeting Date" shall mean the date of the first meeting at which the Tennessee Health Services and Development Agency ("THSDA") votes on whether to approve or deny Surgery Affiliate's application for a certificate of need related to

Surgery Affiliate's operation of an ambulatory surgery treatment center in the Building (such certificate of need being referred to herein as the "CON"). The obligations of Lessor under the terms of this Agreement are conditioned upon Surgery Affiliate filing its CON application for the October 24, 2018 meeting of THSDA. Failure of Lessee to file the application for such THSDA meeting shall allow Lessor to terminate this Agreement without further obligation.

In the event Surgery Affiliate elects, in its sole and absolute discretion, to appeal any denial or partial approval of the CON, then Lessee shall have the right to extend the Initial Option Period for a period of ninety (90) days by delivering written notice of such extension to Lessor prior to the expiration of the Initial Option Period. The Initial Option Period (as the same may be extended pursuant to the terms of this Agreement) may be further extended at any time prior to its expiration upon the mutual written agreement of the parties hereto. As used herein, the term "Option Period" shall mean the Initial Option Period and any extensions thereof pursuant to the terms of this Agreement.

1.3 Lessee shall exercise the Option by delivering written notice to Lessor within the Option Period by registered or certified mail, via nationally recognized overnight courier, or in person.

1.4 In the event Lessee exercises the Option and enters into the Lease (defined below), Lessor shall (i) promptly exercise the Purchase Option and perform all actions necessary to acquire the Property, (ii) promptly, after Lessor's acquisition of the Property, construct the Building in a good and workmanlike manner in accordance with the terms of the Lease (defined below) to be negotiated by Lessor and Lessee in accordance with the terms of this Agreement. Lessor represents and warrants to Lessee that the term of the Purchase Option is at least as long as the term of the Option (including all renewals thereof) and that Lessor can take all steps necessary to timely exercise the Purchase Option in the event Lessee exercises the Option.

1.5 The parties agree that the Building is to be used for the Permitted Use described above and that the Lessee's affiliate, Urologic Surgery Center of Knoxville, LLC (the "Surgery Affiliate"), must obtain a certificate of need from the Tennessee Health Services and Development Agency in order to operate an ambulatory surgery treatment center in the Building. Should the Surgery Affiliate fail to obtain said certificate of need or should the exercise of the Option cause any governmental or quasi-governmental permit held by either party to be voided, then subject to Lessee's right to extend the Initial Option Period in the manner set forth in Section 1.2 above in connection with Surgery Affiliate's appeal of a denial or partial approval of the CON, this Agreement shall immediately expire, unless otherwise extended by the mutual written agreement of the parties hereto.

## SECTION II

### TERMS AND CONDITIONS OF THE LEASE

2.1 Prior to or simultaneously with Lessee's exercise of the Option, Lessor and Lessee shall enter into a lease (the "Lease") whereby Lessor shall lease the Building to Lessee on the following terms: (i) location of the Building on the Property to be reasonably agreed upon by Lessor and Lessee; (ii) initial term of one hundred eighty-five (185) months; (iii) plans and



specifications of the Building mutually acceptable to Lessor and Lessee; (iv) an initial annual base rent of \$21.53 per square foot of floor area in the Building; (v) a five (5) month abatement of base rent; (vi) two percent (2%) annual increases to base rent, commencing on the anniversary of the expiration of the five (5) month base rent abatement period; (vii) Lessee shall, at its option, be permitted to sublease all or a portion of the Building to Surgery Affiliate; and (viii) such other terms and conditions as Lessor and Lessee shall agree. Lessor and Lessee hereby agree to use commercially reasonable, good faith efforts to negotiate the terms and conditions of the Lease pursuant to the terms described herein. Each party hereto shall be responsible for its own respective costs and expenses in connection with negotiating the Lease. If, despite each party's good faith, commercially reasonable efforts, Lessor and Lessee are unable to agree to the terms of the Lease, then either party may terminate any further obligations described herein, and neither party shall have any obligation to the other party.

SECTION III  
MISCELLANEOUS PROVISIONS

3.1 Any notices required or permitted herein shall be in writing and delivered to the addresses below via registered or certified mail, via nationally recognized overnight courier, or in person.

As to Lessor: Century Park Building VIII, LLC  
c/o Jim Fritz  
1225 Weisgarber Road, Suite 160  
Knoxville, TN 37909  
Email: [jfritz@ciprop.com](mailto:jfritz@ciprop.com)

As to Lessee: 25 Crossroads Drive  
Suite 306  
Owings Mills, Maryland 21117  
Attention: President  
Email: [sbass@cua.md](mailto:sbass@cua.md)

3.2 This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and there are no oral understandings or other agreements between the parties hereto with respect to the subject matter hereof that have not been incorporated herein. This Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto. No supplement or modification of this Agreement shall be effective unless contained in a writing executed by each of the parties hereto. This Agreement may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement.

[Remainder of page intentionally left blank; signatures follow]

**July 26, 2018**

**9:53 A.M.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

LESSOR: Century Park Building VIII, LLC  
a Tennessee limited liability company

By:

  
\_\_\_\_\_  
Nicholas G. Cazana

Title:

President

Date:

7-27-18  
\_\_\_\_\_

LESSEE: CUA Opco, LLC,  
a Delaware limited liability company

By:

Title:

Date:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**July 26, 2018**

**9:53 A.M.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

LESSOR: Century Park Building VIII, LLC  
a Tennessee limited liability company

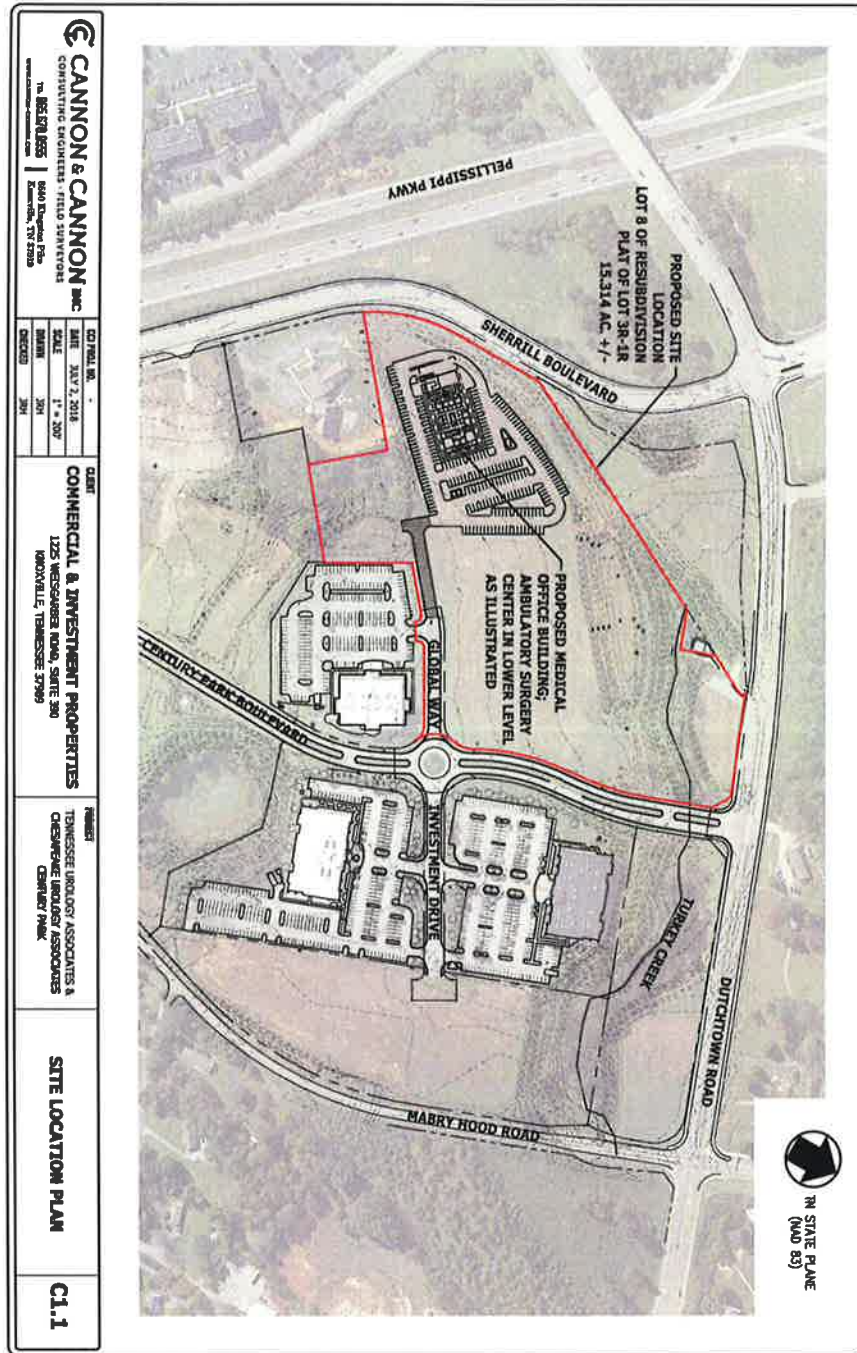
By: \_\_\_\_\_  
Nicholas G. Cazana  
Title: President  
Date: \_\_\_\_\_

LESSEE: CUA Opco, LLC,  
a Delaware limited liability company

By: St. Brum  
Title: CHIEF FINANCIAL OFFICER  
Date: 7-25-2018

Exhibit A

Depiction of Property



OPTION TO SUBLEASE AGREEMENT

THIS OPTION TO SUBLEASE AGREEMENT (this "Agreement") is made and entered into as of this 25<sup>th</sup> day of July, 2018 (the "Effective Date"), by and between CUA Opco, LLC, a Delaware limited liability company ("Sublessor") and Urologic Surgery Center of Knoxville, LLC, a Tennessee limited liability company ("Sublessee").

WITNESSETH

WHEREAS, Century Park Building VIII, LLC, a Tennessee limited liability company ("Master Lessor"), has an option (the "Purchase Option") to acquire certain parcel(s) of real property comprising a portion of Lot 8 shown on the Final Plan of Resubdivision of Lot 3R-1R Century Park recorded with the Knox County Register of Deeds bearing Instrument No. 201510300026766, which portion is bordered by Century Park Boulevard, Global Way and Sherrill Boulevard and more particularly shown as the "Proposed Site Location" on Exhibit A attached hereto (such portion being the "Property");

WHEREAS, Master Lessor intends to exercise the Purchase Option to acquire the Property and to construct a two (2) story Class A medical office building containing approximately 36,000 square feet of space on the Property after Master Lessor's acquisition thereof (such to be developed building referred to herein as the "Building");

WHEREAS, in anticipation of Master Lessor exercising the Purchase Option and acquiring the Property, Master Lessor has granted Sublessor an option (the "Master Lease Option") to lease the Building from Master Lessor; and

WHEREAS, Sublessor desires to grant to Sublessee the option to sublease a portion of the first floor of the Building containing approximately 13,000 rentable square feet of space (such portion of the Building being referred to herein as the "Leased Space") for the operation of an ambulatory surgery treatment center ("ASTC") pursuant to the terms of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual promises set forth herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1  
GRANT OF OPTION

1.1 Sublessor hereby grants to Sublessee the option to sublease the Leased Space upon the terms and conditions set forth herein (the "Option"). As consideration for Sublessor's grant of the Option, Sublessee shall pay the sum of One Hundred and 00/100 Dollars (\$100.00) to Sublessor upon the execution of this Agreement.

1.2 The term of the Option shall commence on the Effective Date and shall continue until 5:00pm EST on the first business day after the CON Meeting Date (defined below) (the "Initial

Option Period"). As used herein, the term "CON Meeting Date" shall mean the date of the first meeting at which the Tennessee Health Services and Development Agency votes on whether to approve or deny Sublessee's application for a certificate of need related to Sublessee's operation of an ambulatory surgery treatment center in the Building (such certificate of need being referred to herein as the "CON"). In the event Sublessee elects, in its sole and absolute discretion, to appeal any denial or partial approval of the CON, then Sublessee shall have the right to extend the Initial Option Period for a period of ninety (90) days by delivering written notice of such extension to Sublessor prior to the expiration of the Initial Option Period. The Initial Option Period (as the same may be extended pursuant to the terms of this Agreement) may be further extended at any time prior to its expiration upon the mutual written agreement of the parties hereto. As used herein, the term "Option Period" shall mean the Initial Option Period and any extensions thereof pursuant to the terms of this Agreement.

1.3 Sublessee shall exercise the Option by delivering written notice to Sublessor within the Option Period (as the same may be extended pursuant to the terms of this Agreement) by registered or certified mail, via nationally recognized overnight courier, or in person.

1.4 The parties hereto agree that the Leased Space is to be used for the ASTC described above.

## SECTION II

### TERMS AND CONDITIONS OF THE LEASE

2.1 In the event Sublessee exercises the Option, Sublessor exercises the Master Lease Option, and Master Lessor exercises the Purchase Option, then Sublessor and Sublessee shall enter into a sublease agreement (the "Sublease") whereby Sublessor shall sublease the Leased Space to Sublessee. Sublessor and Sublessee hereby agree to use commercially reasonable, good faith efforts to negotiate the terms and conditions of the Sublease in conjunction with Sublessor's negotiation of Sublessor's lease with Master Lessor for the Building (the "Master Lease"). The Sublease shall include the following terms: (i) an initial term of one hundred eighty-five (185) months; (ii) an initial annual base rent of \$21.53 per rentable square foot of floor area in the Leased Space; (iii) a five (5) month abatement of base rent; (iv) two percent (2%) annual increases to base rent, commencing on the anniversary of the expiration of the five (5) month base rent abatement period; (v) the same annual additional rent and other charges payable by Sublessor to Master Lessor under the Master Lease with respect to the Leased Space; and (vi) such other terms and conditions as Sublessor and Sublessee shall agree. Each party hereto shall be responsible for its own respective costs and expenses in connection with negotiating the Sublease.

## SECTION III

### MISCELLANEOUS PROVISIONS

3.1 Any notices required or permitted herein shall be in writing and delivered to the addresses below via registered or certified mail, via nationally recognized overnight courier, or in person.

[Remainder of page intentionally left blank; signatures follow]

**July 26, 2018**

**9:53 A.M.**


IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by such party, as of the date first above written.

SUBLESSOR: CUA Opco, LLC,  
a Delaware limited liability company

By:

Title:

Date:

  
CHIEF FINANCIAL OFFICER  
7-25-2018

SUBLESSEE: Urologic Surgery Center of Knoxville, LLC,  
a Tennessee limited liability company

By:

Title:

Date:


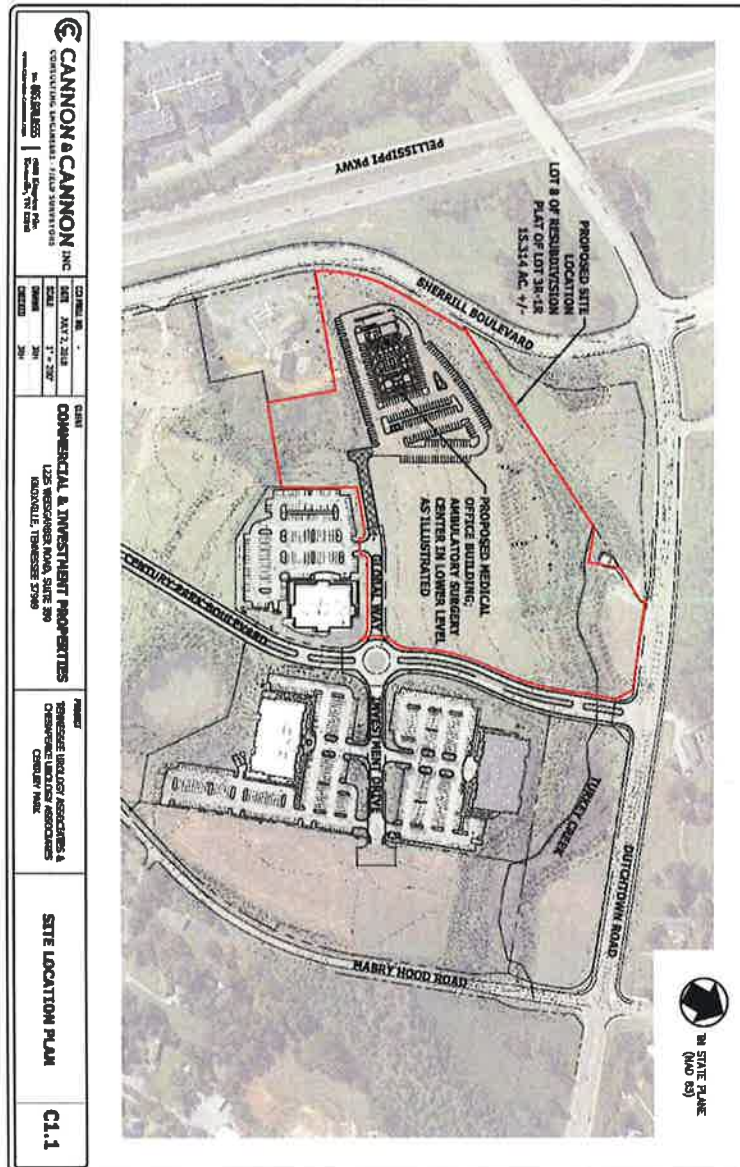
  
AUTHORIZED REPRESENTATIVE OF TENNESSEE UROLOGY  
7-25-2018 ASSOCIATES, PLLC,  
SOLE MEMBER



Exhibit A

Depiction of Property



TAB 11

Demographic Variable/Geographic Area	Department of Health/Health Statistics							Bureau of the Census*				TennCare	
	Total Population - Current Year	Total Population - Projected Year	Total Population-% Change	Target Population- Current Year	Target Population- Project Year	Target Population- % Change	Target Population as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total Population
Knox County	464,587	480,543	3.4%	351,202	363,108	3.4%	75.5%	37.3	50,366	74,821	15.6%	77,890	16.3%
Anderson County	76,616	77,767	1.5%	59,260	60,739	1.9%	78.1%	43.3	44,241	13,116	16.7%	16,223	20.7%
Loudon County	52,786	55,216	4.6%	41,640	43,866	5.3%	79.4%	47.2	52,995	7,576	13.5%	9,354	16.7%
Roane County	52,870	52,707	(.13%)	41,894	42,063	.4%	79.8%	46.3	42,299	9,070	16.2%	11,589	20.7%
Service Area Total	646,859	666,233	3%	493,996	509,776	3.2%	76.5%			104,583	15.7%	115,056	17.2%
State of TN Total	6,769,368	6,992,559	3.3%	5,077,974	5,258,523	3.6%	75.2%	38.5	48,547***	1,155,149	17.2%	1,446,799	20.8%

TAB 12

- 2) Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**RESPONSE:** Both Tennessee Urology Associates and the applicant, which will be limited to serving the patients of Tennessee Urology Associates, serve the urological health needs of patients 18 and over. TUA physicians are TennCare providers. TUA physicians provide significant medical services to female patients, as well as to elderly patients with urological problems.

- E. Describe the existing and approved but unimplemented services of similar healthcare providers in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. List each provider and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: Admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. This doesn't apply to projects that are solely relocating a service.

**RESPONSE:** While the Tennessee Department of Health's website lists 15 ASTCs currently licensed in Knox County and 2 ASTCs currently licensed in Anderson County (and no ASTCs currently licensed in Roane and Loudon Counties), 12 of those licensed ASTCs are specialty ASTCs providing only certain services such as endoscopic or ophthalmological services. Currently there is no licensed ASTC in the proposed service area which is dedicated to urological services. The five licensed ASTCs in the service area currently that are not so limited in service are listed and analyzed in the table below. As shown below, only one such ASTC had urologists on-staff in 2017 (Children's West ASTC--none of those urologists on its staff were TUA employees) and indicated delivery of urological surgical services.

More critically, these five ASTCs provide only two procedure rooms--one in Knox County at Parkwest ASTC, and one in Anderson County at Advanced Family ASTC. As shown in the chart, the only such procedure room in Knox County (at Parkwest ASTC) was utilized in 2017 at 74.9% of full capacity. This high utilization of the only available ASTC procedure room in Knox County is in excess of the 70% standard for "optimum utilization" of procedure rooms set forth in the State Health Plan. These data demonstrate need for the establishment of the ASTC described in this CON application.

**Data of Non-Specialized ASTCs in the Service Area**

ASTC	No. of ORs	OR Cases	No. of Proc. Rms	Proc. Rm. Procs.	Urologists Staff	OR% Util.*	PR% Util.*
<b>2017</b>							
<b>Knox County</b>							
Ft. Sanders ASTC	4	2,414	0	0	0	48%	0
Parkwest ASTC	5	3,429	1	1,997	0	54.3%	74.9%
Physicians' Surgical Ctr.	5	4,253	0	0	3	67.4%	0
Children's West ASTC	3	5,116	0	0	3	135%	0
<b>Anderson County</b>							
Advanced Family ASTC	4	3,314	1	0	1	65.6%	0

TAB 14



July 24, 2018

Ms. Melanie Hill  
Executive Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Century Park VIII, LLC  
Knox County, Tennessee  
BMA Project No. 184500

Dear Ms. Hill:

As the Architect-of-Record for the above referenced project, BarberMcMurry Architects has provided, under separate cover, a preliminary single-line floor plan showing the proposed improvements described in the program and narratives. This project is being designed to meet the requirements of the Guidelines for Design and Construction of Health Care Facilities, 2010 edition; and it will be designed to meet all applicable building codes, as listed below:

Project Scope:

Ambulatory Surgical Center (ASC) of approximately 13,035 SF, located on the ground floor level in a proposed new medical office building in Knoxville, Tennessee. The ASC will have two (2) Class C Operating Rooms, five (5) Procedure Rooms, three (3) Pre OP Stations, and six (6) Post Op Stations.

The proposed site is suitable for the project, and large enough to provide ample parking. There will be a vehicular covered Entry/Exit for patients.

The applicant's construction budget is appropriate for a project of this size and complexity in the Knoxville, Tennessee area.

Applicable Codes - City of Knoxville:

International Building Code, 2012 Edition  
International Energy Conservation Code, 2012 Edition  
International Fuel Gas Code, 2012 Edition  
International Mechanical Code, 2012 Edition  
International Plumbing Code, 2012 Edition  
International Green Construction Code, 2012 Edition  
International Existing Building Code, 2012 Edition  
International Performance Code, 2012 Edition  
International Fire Code, 2012 Edition - Enforced by Fire Department  
National Electrical Code (NFPA 70), 2011 Edition  
ICC/ANSI A117.1 Accessibility Code, 2009 Edition  
Knoxville Code of Ordinances: CH 6, ART 1, SEC 6-5, Fire District

Additional Codes—Tennessee Department of Health:

- International Building Code, 2012 Edition
- International Mechanical Code, 2012 Edition
- International Plumbing Code, 2012 Edition
- International Fuel Gas Code, 2012 Edition
- Americans With Disabilities Act Title 3, 2010 Edition
- North Carolina Accessibility Code, 2004 Edition
- FGI Guidelines For Construction Of Health Care Facilities, 2010 Edition
- NFPA 101 Life Safety Code (LSC), 2012 Edition
- NFPA 101 LSC (For CMS), 2012 Edition
- NFPA 1 National Fire Code (NFC), 2012 Edition
- NFPA 70 National Electrical Code (NEC), 2011 Edition
- US/FDA Public Health Service Food Code, 2005 Edition

Zoning:

- Zoning Jurisdiction: City of Knoxville
- Zoned: C-6 (General Commercial) with TO-1 overlay (Technology Park)

Sincerely,

**BarberMcMurry Architects LLC**



Charles V. Griffin, AIA  
President  
TN. License No. 020192

cc: Steve Bass, File.



TAB 16

**PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year <u>1</u>	Year <u>2</u>
<b>A. Utilization Data (Specify unit of measure, e.g., 1,000 patient days, 500 visits)</b>		
Cases	2,485	2,547
Procedures	7,991	8,190
<b>B. Revenue from Services to Patients</b>		
1. Inpatient Services	--	--
2. Outpatient Services	18,786,927	19,256,600
3. Emergency Services		
4. Other Operating Revenue (Specify) _____		
<b>Gross Operating Revenue</b>	<b>\$18,786,927</b>	<b>\$19,256,600</b>
<b>C. Deductions from Gross Operating Revenue</b>		
1. Contractual Adjustments	\$11,845,019	\$12,141,144
2. Provision for Charity Care	416,515	426,927
3. Provisions for Bad Debt	104,129	106,732
<b>Total Deductions</b>	<b>\$12,365,662</b>	<b>\$12,674,803</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 6,421,265</b>	<b>\$ 6,581,797</b>
<b>D. Operating Expenses</b>		
1. Salaries and Wages		
a. Direct Patient Care	1,334,055	1,360,736
Non-Patient Care	144,669	147,562
b. Clinical Support Expenses	321,063	329,090
2. Physician's Salaries and Wages	--	--
3. Supplies	1,952,539	2,001,352
4. Rent		
a. Paid to Affiliates	--	--
b. Paid to Non-Affiliates	498,158	508,121
5. Management Fees:		
a. Paid to Affiliates	385,276	394,908
b. Paid to Non-Affiliates	--	--
6. Other Operating Expenses	538,418	540,024
<b>Total Operating Expenses</b>	<b>\$5,174,178</b>	<b>\$5,281,793</b>
<b>E. Earnings Before Interest, Taxes and Depreciation</b>	<b>\$1,247,087</b>	<b>\$1,300,004</b>
<b>F. Non-Operating Expenses</b>		
1. Taxes	\$286,975	\$301,527
2. Depreciation		
3. Interest	203,541	203,541
4. Other Non-Operating Expenses		
<b>Total Non-Operating Expenses</b>	<b>\$490,516</b>	<b>\$505,068</b>
<b>NET INCOME (LOSS)</b>	<b>\$756,571</b>	<b>\$794,936</b>
<i>Chart Continues Onto Next Page</i>		

**Supplemental #1****July 26, 2018****9:53 A.M.**

	Year <u>1</u>	Year <u>2</u>
<b>NET INCOME (LOSS)</b>		
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment	\$	\$
2. Annual Capital Expenditure		
<b>Total Other Deductions</b>	\$	\$
<b>NET BALANCE</b>	\$756,571	\$794,936
<b>DEPRECIATION</b>	\$	\$
<b>FREE CASH FLOW (Net Balance + Depreciation)</b>	\$756,571	794,936

☒ Total Facility  
☐ Project Only

**PROJECTED DATA CHART-OTHER EXPENSES**

	Year <u>1</u>	Year <u>2</u>
<b>OTHER EXPENSES CATEGORIES</b>		
1. Professional Services Contract	\$	\$
2. Contract Labor		
3. Imaging Interpretation Fees		
4. Billing and Reimbursement Group	224,935	224,935
5. Call Center Operations	124,302	124,302
6. Administrative Office Expenses	64,213	65,818
7. Human Resources	43,472	43,472
8. Marketing	38,038	38,038
9. Information Technology	43,458	43,458
<b>Total Other Expenses</b>	\$538,418	\$540,024

TAB 17

July 26, 2018

9:53 A.M.

- E. 1) Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )					
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )					
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )					

**RESPONSE:** The requested chart is filled out below:

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
<b>Gross Charge</b> ( <i>Gross Operating Revenue/Utilization Data</i> )			\$1,877	\$1,877	
<b>Deduction from Revenue</b> ( <i>Total Deductions/Utilization Data</i> )			\$1,235	\$1,235	
<b>Average Net Charge</b> ( <i>Net Operating Revenue/Utilization Data</i> )			\$641	\$641	

- 2) Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

**RESPONSE:** The proposed charges for the project are based on the practice's historical case and charge data. Deductions from revenue are based on the practice's historical collection rates. Gross and net charges are projected to increase at 2.5% per year.

- 3) Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**RESPONSE:** The average gross charge for a case/procedure performed at each of the five nonspecialized ASTCs in the service area is set forth below:

ASTC	2017 Total Cases + Procedures	2017 Average Charge
Advanced Family Surgery Center	3,314	\$6,421
Children's West Surgery Center	5,116	2,896
Ft. Sanders West Surgery Center	2,414	3,362
Parkwest Surgery Center	5,426	12,082
Physicians Surgery Center	4,253	11,406

TAB 18

July 26, 2018

9:53 AM

TENNESSEE UROLOGY ASSOCIATES, LLC

CONSOLIDATED

Balance Sheet

December 31, 2017

## ASSETS

## Current Assets

Checking First TN - CORP	\$ 1,980,708.00
Checking Regions - CORP	83,673.58
Petty Cash - UCK	368.31
Petty Cash - ORUA	333.34
Petty Cash - KUC	400.00
Deposits - CORP	904.17
Inventory - UCK	77,252.83
Inventory - ORUA	62,249.69
Inventory - KUC	45,733.72
A/R Drugs - UCK	157,979.56
A/R Drugs - ORUA	40,931.14
A/R Drugs - KUC	140,568.77
Due From(To) - UCK	132.16
Due From(To) - Freeman	(1,571.98)
Due From(To) - Heiser	984.27
Due From(To) - Congleton	877.46
Due From(To) - Nicely	522.12
Due From(To) - Ramsey	93.01
Due From(To) - Parker	3,253.11
Due From(To) - Reynolds	181.94
Due From(To) - ORUA	279.06
Due From(To) - Pearson	(53,426.41)
Due From(To) - Chasan	2,751.24
Due From(To) - Bowles	2,929.20
Due From(To) - Cottrell	990.02
Due From(To) - BRIGGS	(1,026.13)
Due From(To) - KUC	746.52
Due From(To) - Shepherd	1,118.22
Due From(To) - Lischer	541.15
Due From(To) - LeRoy	182.35
Due From(To) - Muse	1,875.09
Due From(To) - Flickinger	(1,071.13)
Due From(To) - Hatfield	3,725.89
Due From(To) - Tieng	(774.76)
Due From(To) - CORP	1,968.55

Total Current Assets

2,556,384.06

## Property and Equipment

Furniture/Fixtures - UCK	1,137,379.55
Furniture/Fixtures - ORUA	546,944.00
Furniture/Fixtures - KUC	190,370.00
Furniture/Fixtures - CORP	556,976.00
LH Improvements - UCK	363,036.93
LH Improvements - ORUA	193,375.33
LH Improvements - KUC	3,408.36
LH Improvements - CORP	81,687.56

5/30/2018 at 2:29 PM

Unaudited - For Management Purposes Only

Computers/Peripherals - UCK	17,208.00
Computers/Peripherals - ORUA	59,118.00
Computers/Peripherals - KUC	129,863.00
Computers/Peripherals - CORP	1,028,277.00
Software - LAB	7,335.16
Software - PHRM	6,025.00
Medical Equipment - UCK	234,586.24
Medical Equipment - ORUA	7,045.92
Medical Equipment - KUC	9,000.00
Medical Equipment - LAB	9,730.00
Medical Equipment - CORP	(3,406.45)
A/D Fixed Assets - UCK	(1,256,281.00)
A/D Fixed Assets - ORUA	(598,297.00)
A/D Fixed Assets - KUC	(258,287.00)
A/D Fixed Assets - CORP	(1,591,895.00)
A/D Step Up - UCK	(35,278.00)
A/D Step Up - CORP	(21,491.00)
Sec 754 Assets - UCK	35,278.00
Sec 754 Assets - CORP	21,491.00

Total Property and Equipment 873,199.60

## Other Assets

Investments - UCK 3,592.99

Total Other Assets 3,592.99

Total Assets \$ 3,433,176.65

## LIABILITIES AND CAPITAL

## Current Liabilities

A/P Drugs - UCK	\$ 124,579.19
A/P Drugs - ORUA	110,411.59
A/P Drugs - KUC	148,012.70
Current Portion of LTD - UCK	50,177.76
Accrued Profit Sharing - UCK	63,338.22
Accrued Profit Sharing - ORUA	49,455.33
Accrued Profit Sharing - KUC	37,212.78
Accrued Profit Sharing - LAB	6,930.00
Accrued Profit Sharing - MHC	1,260.00
Accrued Profit Sharing - CORP	12,810.00
Accrued Cash Balance - UCK	54,128.52
Accrued Cash Balance - ORUA	33,352.56
Accrued Cash Balance - KUC	18,428.19
Accrued Cash Balance - LAB	1,485.00
Accrued Cash Balance - MHC	270.00
Accrued Cash Balance - CORP	2,745.00
401K PreTax - ORUA	(105.00)
401K PreTax - CORP	45,956.00
Personal Tax W/H - Congleton	73,176.95
Personal Tax W/H - Nicely	71,525.20



Personal Tax W/H - Cameron	63,989.20
Personal Tax W/H - Pearson	38,307.20
Personal Tax W/H - Bowles	28,285.25
Personal Tax W/H - Cottrell	54,796.00
Personal Tax W/H - Shrewsberry	91,123.60
Personal Tax W/H - Shepherd	51,328.20
Personal Tax W/H - Harris	62,030.52
Personal Tax W/H - Lischer	89,531.49
Personal Tax W/H - LeRoy	83,242.95
Personal Tax W/H - Tieng	41,500.00
AFLAC Deductions - UCK	10,792.96
AFLAC Deductions - ORUA	6,443.84
AFLAC Deductions - KUC	5,478.74
AFLAC Deductions - LAB	1,925.43
AFLAC Deductions - MHC	1,090.00
AFLAC Deductions - PHRM	184.52
AFLAC Deductions - THPY	19.45
AFLAC Deductions - CORP	3,212.01
Other Accruals - UCK	(10,914.04)
Other Accruals - ORUA	(6,946.16)
Other Accruals - KUC	(5,650.64)
Other Accruals - Harris	(926.48)
Other Accruals - LAB	(1,846.52)
Other Accruals - MHC	(1,274.52)
Other Accruals - CORP	(3,325.40)

Total Current Liabilities	1,507,547.59
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Long-Term Liabilities	
Notes Payable - UCK	57,181.01

Total Long-Term Liabilities	57,181.01
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Total Liabilities	1,564,728.60
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Capital	
Capital - Congleton	129,628.00
Capital - Nicely	131,991.00
Capital - Ramsey	186,978.92
Capital - Parker	151,467.12
Capital - Cameron	82,396.00
Capital - Reynolds	71,349.19
Capital - Pearson	88,096.59
Capital - Chasan	87,682.75
Capital - Bowles	66,315.00
Capital - Cottrell	116,951.10
Capital - Shrewsberry	141,006.00
Capital - Briggs	6,817.00
Capital - Shepherd	14,621.00
Capital - Harris	7,445.00
Capital - Lischer	80,225.00
Capital - Chiles	106,492.00
Capital - LeRoy	10,274.00
Capital - Flickinger	11,408.48

Capital - Hatfield	12,483.54
Capital - Tieng	13,973.82
Capital - Art	5,124.00
Ptnr Distribution - Congleton	(745,145.96)
Ptnr Distribution - Nicely	(624,639.66)
Ptnr Distribution - Ramsey	(807,749.38)
Ptnr Distribution - Parker	(644,821.88)
Ptnr Distribution - Cameron	(536,874.65)
Ptnr Distribution - Reynolds	(351,344.70)
Ptnr Distribution - Pearson	(368,608.58)
Ptnr Distribution - Chasan	(424,977.29)
Ptnr Distribution - Bowles	(343,511.18)
Ptnr Distribution - Cottrell	(381,721.37)
Ptnr Distribution - Shrewsberry	(803,750.90)
Ptnr Distribution - Shepherd	(359,437.89)
Ptnr Distribution - Harris	(249,422.23)
Ptnr Distribution - Lischer	(847,809.21)
Ptnr Distribution - Chiles	(835,715.62)
Ptnr Distribution - LeRoy	(722,192.39)
Ptnr Distribution - Tieng	(41,500.00)
Retained Earnings - UCK	111,988.81
Retained Earnings - ORUA	69,852.26
Retained Earnings - KUC	101,957.82
Net Income	<u>9,151,146.54</u>

Total Capital	<u>1,868,448.05</u>
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Total Liabilities & Capital	<u><u>\$ 3,433,176.65</u></u>
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**July 26, 2018****9:53 A.M.**

TENNESSEE UROLOGY ASSOCIATES, PLLC  
CONSOLIDATED  
Income Statement

For the Twelve Months Ending December 31, 2017

	Current Month	%	Year to Date	%
Revenue				
Professional Fees - UCK	\$ 931,594.61	43.26	\$ 10,610,241.11	39.09
Professional Fees - ORUA	676,071.61	31.39	7,429,612.62	27.37
Professional Fees - BRIGGS	29.38	0.00	3,099.51	0.01
Professional Fees - KUC	434,298.18	20.17	6,987,055.14	25.74
Professional Fees - UAK	2,028.31	0.09	19,727.13	0.07
Professional Fees - THPY	(20.30)	(0.00)	(41.20)	(0.00)
Professional Fees - CORP	(27,056.16)	(1.26)	(281,734.38)	(1.04)
Therapy - UCK	6,133.60	0.28	25,825.78	0.10
Therapy - ORUA	6,133.60	0.28	25,825.78	0.10
Therapy - KUC	6,133.60	0.28	25,825.78	0.10
Pathology - UCK	95,162.76	4.42	839,864.58	3.09
Pathology - ORUA	(139,040.56)	(6.46)	(1,293,826.31)	(4.77)
Pathology - KUC	43,932.95	2.04	450,294.12	1.66
Pathology - UAK	(55.15)	(0.00)	3,667.61	0.01
Radiology - ORUA	8,080.94	0.38	111,749.14	0.41
Pharmacy - UCK	57,532.21	2.67	416,479.52	1.53
Pharmacy - ORUA	0.00	0.00	45,137.33	0.17
Pharmacy - KUC	46,740.00	2.17	813,339.92	3.00
EHR Incentive - KUC	0.00	0.00	11,760.00	0.04
Men's Health - UCK	0.00	0.00	225,783.02	0.83
Men's Health - ORUA	0.00	0.00	188,152.50	0.69
Men's Health - KUC	0.00	0.00	188,152.48	0.69
Rebates - UCK	8,567.52	0.40	17,985.25	0.07
Rebates - ORUA	0.00	0.00	2,257.15	0.01
Rebates - KUC	20,806.84	0.97	39,085.50	0.14
Rebates - CORP	4,626.16	0.21	75,651.06	0.28
Supplemental Lab Tests - UCK	370.56	0.02	89,339.16	0.33
Supplemental Lab Tests - ORUA	300.86	0.01	79,453.31	0.29
Supplemental Lab Tests - KUC	288.58	0.01	62,913.49	0.23
Refunds - UCK	(810.34)	(0.04)	(11,276.82)	(0.04)
Refunds - Congleton	(24,858.59)	(1.15)	(29,149.31)	(0.11)
Refunds - Nicely	(119.08)	(0.01)	(6,314.43)	(0.02)
Refunds - Ramsey	(293.00)	(0.01)	(11,061.05)	(0.04)
Refunds - Parker	(172.55)	(0.01)	(8,177.55)	(0.03)
Refunds - Cameron	(17.32)	(0.00)	(3,368.42)	(0.01)
Refunds - Reynolds	0.00	0.00	(8,029.01)	(0.03)
Refunds - ORUA	(195.89)	(0.01)	(533.38)	(0.00)
Refunds - Pearson	(135.25)	(0.01)	(808.77)	(0.00)
Refunds - Chasan	(558.46)	(0.03)	(866.55)	(0.00)
Refunds - Bowles	(406.10)	(0.02)	(1,879.82)	(0.01)
Refunds - Cottrell	(208.92)	(0.01)	(3,625.89)	(0.01)
Refunds - Shrewsberry	(74.62)	(0.00)	(729.90)	(0.00)
Refunds - KUC	0.00	0.00	(8.15)	(0.00)
Refunds - Shepherd	(296.09)	(0.01)	(1,607.37)	(0.01)
Refunds - Harris	(37.41)	(0.00)	(1,904.15)	(0.01)
Refunds - Lischer	0.00	0.00	(2,883.37)	(0.01)
Refunds - Chiles	(769.40)	(0.04)	(4,626.07)	(0.02)
Refunds - LeRoy	(118.60)	(0.01)	(1,440.84)	(0.01)

**Supplemental #1****July 26, 2018****9:53 AM**

	Current Month	%	YTD	%
Refunds - UAK	0.00	0.00	(1,845.11)	(0.01)
Refunds - Flickinger	0.00	0.00	(60.47)	(0.00)
Refunds - Art	0.00	0.00	(35.00)	(0.00)
Refunds - LAB	0.00	0.00	(984.52)	(0.00)
Refunds - THPY	0.00	0.00	(74.86)	(0.00)
Other Income - UCK	0.00	0.00	27,025.00	0.10
Other Income - ORUA	0.00	0.00	2,032.32	0.01
Other Income - KUC	0.00	0.00	2,025.00	0.01
Other Income - UAK	0.00	0.00	31.23	0.00
Other Income - CORP	0.00	0.00	207.06	0.00
DHS Revenue Adjustment - UCK	(3,228.27)	(0.15)	(47,569.45)	(0.18)
DHS Revenue Adjustment - ORUA	473.93	0.02	52,190.54	0.19
DHS Revenue Adjustment - KUC	2,750.28	0.13	(4,654.03)	(0.02)
DHS Revenue Adjustment - UAK	4.06	0.00	32.94	0.00
Total Revenue	2,153,588.48	100.00	27,142,705.90	100.00

## Cost of Sales

COS Adjustment - UCK	(434,342.57)	(184.99)	(434,342.57)	(7.48)
COS Adjustment - ORUA	23,029.73	9.81	23,029.73	0.40
COS Adjustment - KUC	(268,394.02)	(114.31)	(268,394.02)	(4.62)
COS Adjustment - UAK	224.26	0.10	224.26	0.00
Testopel - UCK	43,598.60	18.57	175,182.06	3.02
Testopel - ORUA	0.00	0.00	28,640.72	0.49
Testopel - KUC	0.00	0.00	14,014.10	0.24
Aveed - UCK	0.00	0.00	19,402.24	0.33
Testosterone - UCK	439.20	0.19	9,138.74	0.16
Testosterone - KUC	569.50	0.24	3,350.60	0.06
Lupron - UCK	0.00	0.00	4,352.00	0.07
Lupron - ORUA	0.00	0.00	120,064.00	2.07
Lupron - KUC	0.00	0.00	1,536.00	0.03
Firmagon - UCK	270.87	0.12	29,623.13	0.51
Firmagon - ORUA	8,946.54	3.81	31,998.53	0.55
Firmagon - KUC	8,673.06	3.69	60,635.52	1.04
Provenge - UCK	380,589.61	162.10	1,128,760.66	19.45
Provenge - ORUA	0.00	0.00	1,084.35	0.02
Provenge - Harris	0.00	0.00	112,507.57	1.94
Provenge - Lischer	75,431.49	32.13	296,399.73	5.11
Provenge - Chiles	(94.15)	(0.04)	224,920.99	3.87
Provenge - LeRoy	0.00	0.00	437,900.30	7.54
Eligard - UCK	25,942.00	11.05	336,020.26	5.79
Eligard - ORUA	0.00	0.00	69,647.87	1.20
Eligard - KUC	24,009.98	10.23	228,338.44	3.93
Zytiga - UCK	56,280.42	23.97	176,039.91	3.03
Zytiga - Pearson	0.00	0.00	7,946.57	0.14
Zytiga - Harris	16,080.12	6.85	87,692.74	1.51
Zytiga - Lischer	16,080.12	6.85	111,532.45	1.92
Zytiga - Chiles	0.00	0.00	7,946.57	0.14
Zytiga - LeRoy	16,080.12	6.85	62,162.35	1.07
Xtandi - UCK	18,647.98	7.94	226,571.57	3.90
Xtandi - Bowles	0.00	0.00	35,346.14	0.61
Xtandi - Harris	0.00	0.00	17,574.34	0.30
Xtandi - Lischer	18,647.98	7.94	133,607.05	2.30
Xtandi - Chiles	18,647.98	7.94	110,135.52	1.90

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	Current Month	%	Year to Date	%
Xtandi - LeRoy	18,647.98	7.94	154,071.37	2.65
BCG - UCK	1,133.46	0.48	35,196.21	0.61
BCG - ORUA	6,800.76	2.90	21,797.61	0.38
BCG - KUC	4,533.84	1.93	49,975.11	0.86
Valstar - UCK	0.00	0.00	31,439.97	0.54
Mitomycin - UCK	0.00	0.00	150.00	0.00
Doxorubicin - UCK	0.00	0.00	62.56	0.00
Prolia - UCK	21,789.90	9.28	288,412.42	4.97
Prolia - ORUA	12,875.85	5.48	69,373.81	1.20
Prolia - KUC	6,933.15	2.95	59,084.90	1.02
Xgeva - UCK	14,778.40	6.29	392,796.03	6.77
Xgeva - ORUA	21,620.50	9.21	110,742.84	1.91
Xgeva - KUC	43,606.70	18.57	402,473.44	6.93
Steriods - UCK	61.80	0.03	175.10	0.00
Steriods - ORUA	0.00	0.00	10.30	0.00
Steriods - KUC	30.90	0.01	285.84	0.00
Botox - UCK	7,773.88	3.31	59,922.55	1.03
Botox - ORUA	0.00	0.00	2,457.00	0.04
Botox - KUC	2,391.98	1.02	22,752.52	0.39
DMSO - UCK	177.95	0.08	177.95	0.00
DMSO - KUC	0.00	0.00	710.00	0.01
Antibiotics - UCK	51.92	0.02	5,786.26	0.10
Antibiotics - ORUA	0.00	0.00	1,965.46	0.03
Antibiotics - KUC	93.20	0.04	1,198.96	0.02
Blood Thinners - UCK	180.35	0.08	1,707.45	0.03
Xiaflex - UCK	0.00	0.00	80,269.72	1.38
Xiaflex - ORUA	0.00	0.00	100,765.30	1.74
Xiaflex - KUC	6,873.98	2.93	70,040.00	1.21
Sildenafil - UCK	2,712.00	1.16	23,978.60	0.41
Sildenafil - ORUA	1,378.60	0.59	8,858.50	0.15
Sildenafil - KUC	1,627.20	0.69	12,475.20	0.21
Trimix - KUC	0.00	0.00	3,162.17	0.05
VED - UCK	0.00	0.00	16,286.02	0.28
UroLift - UCK	9,356.44	3.99	87,369.77	1.51
UroLift - Chiles	0.00	0.00	31,427.91	0.54
Rezum - UCK	0.00	0.00	13,525.15	0.23
Rezum - Chiles	0.00	0.00	13,372.20	0.23
<b>Total Cost of Sales</b>	<b>234,789.56</b>	<b>100.00</b>	<b>5,804,846.62</b>	<b>100.00</b>
<b>Gross Profit</b>	<b>1,918,798.92</b>	<b>0.00</b>	<b>21,337,859.28</b>	<b>0.00</b>
<b>Expense</b>				
Salaries Staff - UCK	165,698.10	10.53	1,832,283.09	15.04
Salaries Staff - ORUA	123,068.21	7.82	1,145,028.67	9.40
Salaries Staff - KUC	68,023.54	4.32	694,181.35	5.70
Salaries Staff - LAB	48,315.02	3.07	571,158.15	4.69
Salaries Staff - MHC	8,176.30	0.52	58,153.79	0.48
Salaries Staff - PHRM	872.64	0.06	10,686.70	0.09
Salaries Staff - THPY	7,078.18	0.45	35,593.94	0.29
Salaries Staff - CORP	93,294.45	5.93	585,370.52	4.80
Payroll Taxes - UCK	9,930.42	0.63	128,588.02	1.06
Payroll Taxes - ORUA	8,986.41	0.57	83,068.36	0.68
Payroll Taxes - KUC	4,938.71	0.31	50,680.33	0.42

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	Current Month	%	Year to Date	%
Payroll Taxes - LAB	1,770.54	0.11	27,391.17	0.22
Payroll Taxes - MHC	616.48	0.04	4,345.02	0.04
Payroll Taxes - PHRM	65.44	0.00	799.14	0.01
Payroll Taxes - THPY	539.92	0.03	2,714.08	0.02
Payroll Taxes - CORP	3,562.54	0.23	36,750.16	0.30
SUTA - UCK	80.51	0.01	2,897.70	0.02
SUTA - ORUA	70.41	0.00	2,240.14	0.02
SUTA - KUC	39.73	0.00	1,621.53	0.01
SUTA - LAB	12.90	0.00	395.01	0.00
SUTA - MHC	0.00	0.00	98.87	0.00
SUTA - PHRM	0.00	0.00	13.13	0.00
SUTA - THPY	0.00	0.00	56.00	0.00
SUTA - CORP	0.00	0.00	445.00	0.00
FUTA - UCK	66.14	0.00	2,199.83	0.02
FUTA - ORUA	55.27	0.00	1,698.10	0.01
FUTA - KUC	25.27	0.00	1,228.94	0.01
FUTA - LAB	5.05	0.00	296.08	0.00
FUTA - MHC	0.00	0.00	73.99	0.00
FUTA - PHRM	0.00	0.00	10.00	0.00
FUTA - THPY	0.00	0.00	42.00	0.00
FUTA - CORP	0.00	0.00	333.93	0.00
Health Insurance - UCK	44,878.72	2.85	441,168.24	3.62
Health Insurance - ORUA	29,131.56	1.85	293,500.71	2.41
Health Insurance - KUC	23,742.44	1.51	233,174.93	1.91
Health Insurance - LAB	2,355.27	0.15	19,246.34	0.16
Health Insurance - MHC	655.44	0.04	7,291.37	0.06
Health Insurance - PHRM	682.96	0.04	630.37	0.01
Health Insurance - THPY	668.09	0.04	3,367.42	0.03
Health Insurance - CORP	1,921.46	0.12	73,022.85	0.60
LT Disability Ins - UCK	5,126.03	0.33	20,292.89	0.17
LT Disability Ins - Congleton	0.00	0.00	1,150.00	0.01
LT Disability Ins - Nicely	0.00	0.00	1,150.00	0.01
LT Disability Ins - Ramsey	0.00	0.00	1,150.00	0.01
LT Disability Ins - Parker	0.00	0.00	1,150.00	0.01
LT Disability Ins - Cameron	0.00	0.00	1,150.00	0.01
LT Disability Ins - Reynolds	0.00	0.00	1,143.50	0.01
LT Disability Ins - ORUA	4,200.71	0.27	16,303.58	0.13
LT Disability Ins - Pearson	0.00	0.00	1,150.00	0.01
LT Disability Ins - Chasan	0.00	0.00	1,150.00	0.01
LT Disability Ins - Bowles	0.00	0.00	1,150.00	0.01
LT Disability Ins - Cottrell	0.00	0.00	1,150.00	0.01
LT Disability Ins - Shrewsberr	0.00	0.00	1,150.00	0.01
LT Disability Ins - KUC	2,981.52	0.19	10,748.37	0.09
LT Disability Ins - Shepherd	0.00	0.00	957.90	0.01
LT Disability Ins - Harris	0.00	0.00	683.95	0.01
LT Disability Ins - Lischer	0.00	0.00	1,150.00	0.01
LT Disability Ins - Chiles	0.00	0.00	1,150.00	0.01
LT Disability Ins - LeRoy	0.00	0.00	1,150.00	0.01
LT Disability Ins - LAB	778.18	0.05	4,016.60	0.03
LT Disability Ins - MHC	124.38	0.01	543.79	0.00
LT Disability Ins - THPY	111.18	0.01	277.95	0.00
LT Disability Ins - CORP	782.42	0.05	4,240.74	0.03
ST Disability Ins - UCK	1,076.76	0.07	6,243.20	0.05
ST Disability Ins - ORUA	916.83	0.06	5,183.40	0.04
ST Disability Ins - KUC	587.64	0.04	3,644.13	0.03

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	Current Month	%	Previous Month	%
ST Disability Ins - LAB	148.89	0.01	906.79	0.01
ST Disability Ins - MHC	75.08	0.00	337.48	0.00
ST Disability Ins - THPY	44.90	0.00	67.35	0.00
ST Disability Ins - CORP	289.52	0.02	1,466.93	0.01
401K Match - UCK	2,053.02	0.13	26,015.14	0.21
401K Match - ORUA	1,010.89	0.06	11,871.44	0.10
401K Match - KUC	959.38	0.06	10,462.69	0.09
401K Match - LAB	191.79	0.01	10,157.27	0.08
401K Match - THPY	2.58	0.00	21.35	0.00
401K Match - CORP	1,479.50	0.09	12,817.94	0.11
Profit Sharing Plan - UCK	7,588.74	0.48	91,064.88	0.75
Profit Sharing Plan - ORUA	5,215.11	0.33	62,581.32	0.51
Profit Sharing Plan - KUC	3,388.26	0.22	40,659.12	0.33
Profit Sharing Plan - LAB	2,310.00	0.15	27,720.00	0.23
Profit Sharing Plan - MHC	420.00	0.03	5,040.00	0.04
Profit Sharing Plan - CORP	4,270.00	0.27	51,240.00	0.42
Cash Balance Plan - UCK	1,626.16	0.10	19,513.92	0.16
Cash Balance Plan - ORUA	1,117.52	0.07	13,410.24	0.11
Cash Balance Plan - KUC	726.06	0.05	8,712.72	0.07
Cash Balance Plan - LAB	495.00	0.03	5,940.00	0.05
Cash Balance Plan - MHC	90.00	0.01	1,080.00	0.01
Cash Balance Plan - CORP	915.00	0.06	10,980.00	0.09
Long Term Care - Congleton	27.00	0.00	351.00	0.00
Long Term Care - Nicely	16.80	0.00	218.40	0.00
Long Term Care - Ramsey	10.20	0.00	132.60	0.00
Long Term Care - Parker	8.80	0.00	114.40	0.00
Long Term Care - Cameron	7.60	0.00	98.80	0.00
Long Term Care - Reynolds	26.60	0.00	345.80	0.00
Long Term Care - Pearson	22.00	0.00	286.00	0.00
Long Term Care - Chasan	22.00	0.00	286.00	0.00
Long Term Care - Bowles	32.70	0.00	425.10	0.00
Long Term Care - Cottrell	7.20	0.00	93.60	0.00
Long Term Care - CORP	18.00	0.00	234.00	0.00
Recruiting - UCK	0.00	0.00	317.40	0.00
Advertising - UCK	0.00	0.00	19,814.16	0.16
Advertising - ORUA	450.00	0.03	1,931.25	0.02
Employee Expenses - UCK	119.96	0.01	2,439.93	0.02
Employee Expenses - ORUA	29.99	0.00	8,936.16	0.07
Employee Expenses - KUC	0.00	0.00	615.39	0.01
Employee Expenses - LAB	0.00	0.00	66.85	0.00
Employee Expenses - MHC	0.00	0.00	31.56	0.00
Employee Expenses - THPY	0.00	0.00	29.99	0.00
Employee Expenses - CORP	0.00	0.00	17.30	0.00
Website - UCK	225.00	0.01	1,125.00	0.01
Website - ORUA	225.00	0.01	1,125.00	0.01
Website - KUC	355.00	0.02	2,685.00	0.02
Website - CORP	0.00	0.00	223.40	0.00
Mileage - UCK	5,717.38	0.36	11,547.76	0.09
Mileage - ORUA	1,560.41	0.10	14,313.91	0.12
Mileage - KUC	71.09	0.00	712.90	0.01
Mileage - Shepherd	0.00	0.00	13.82	0.00
Mileage - CORP	2,426.88	0.15	3,063.02	0.03
Parking - UCK	0.00	0.00	5.00	0.00
Parking - LAB	0.00	0.00	72.00	0.00
Parking - CORP	113.00	0.01	185.00	0.00

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Mtgs/Seminars - UCK	0.00	0.00	2,184.00	0.02
Mtgs/Seminars - Nicely	0.00	0.00	75.00	0.00
Mtgs/Seminars - Ramsey	0.00	0.00	75.00	0.00
Mtgs/Seminars - Parker	0.00	0.00	75.00	0.00
Mtgs/Seminars - Cameron	306.19	0.02	1,567.19	0.01
Mtgs/Seminars - Reynolds	0.00	0.00	75.00	0.00
Mtgs/Seminars - ORUA	0.00	0.00	1,138.62	0.01
Mtgs/Seminars - Pearson	0.00	0.00	75.00	0.00
Mtgs/Seminars - Bowles	0.00	0.00	75.00	0.00
Mtgs/Seminars - Cottrell	0.00	0.00	75.00	0.00
Mtgs/Seminars - KUC	0.00	0.00	1,619.00	0.01
Mtgs/Seminars - Shepherd	0.00	0.00	425.00	0.00
Mtgs/Seminars - Harris	0.00	0.00	75.00	0.00
Mtgs/Seminars - LeRoy	0.00	0.00	75.00	0.00
Mtgs/Seminars - LAB	0.00	0.00	395.00	0.00
Mtgs/Seminars - THPY	0.00	0.00	435.91	0.00
Mtgs/Seminars - CORP	450.00	0.03	10,491.23	0.09
Meals/Entertain - UCK	195.13	0.01	8,566.81	0.07
Meals/Entertain - Cameron	0.00	0.00	84.00	0.00
Meals/Entertain - ORUA	362.63	0.02	1,115.35	0.01
Meals/Entertain - Chasan	0.00	0.00	218.00	0.00
Meals/Entertain - KUC	0.00	0.00	1,782.30	0.01
Meals/Entertain - LAB	0.00	0.00	199.29	0.00
Meals/Entertain - CORP	1,678.66	0.11	6,027.18	0.05
Travel/Lodging - UCK	0.00	0.00	3,057.75	0.03
Travel/Lodging - Cameron	0.00	0.00	2,078.23	0.02
Travel/Lodging - ORUA	0.00	0.00	422.20	0.00
Travel/Lodging - KUC	0.00	0.00	2,060.28	0.02
Travel/Lodging - Harris	3,349.82	0.21	3,349.82	0.03
Travel/Lodging - LAB	0.00	0.00	1,599.31	0.01
Travel/Lodging - CORP	809.81	0.05	8,066.75	0.07
Staff/Patient Education - UCK	0.00	0.00	3,133.69	0.03
Staff/Patient Education - ORUA	156.48	0.01	3,396.80	0.03
Staff/Patient Education - KUC	0.00	0.00	1,551.53	0.01
Staff/Patient Education - LAB	0.00	0.00	82.02	0.00
Staff/Patient Education - MHC	0.00	0.00	1,638.75	0.01
Staff/Patient Education - CORP	43.16	0.00	1,183.85	0.01
Office Supplies - UCK	3,609.38	0.23	24,262.76	0.20
Office Supplies - Reynolds	0.00	0.00	926.07	0.01
Office Supplies - ORUA	1,057.70	0.07	15,426.69	0.13
Office Supplies - Chasan	0.00	0.00	721.77	0.01
Office Supplies - KUC	1,781.41	0.11	12,965.21	0.11
Office Supplies - LAB	182.40	0.01	1,480.98	0.01
Office Supplies - MHC	0.00	0.00	351.72	0.00
Office Supplies - THPY	0.00	0.00	354.13	0.00
Office Supplies - CORP	284.25	0.02	4,134.23	0.03
Copier Supplies - UCK	370.11	0.02	4,910.56	0.04
Copier Supplies - ORUA	1,439.20	0.09	4,413.84	0.04
Copier Supplies - KUC	587.35	0.04	3,627.26	0.03
Copier Supplies - LAB	281.02	0.02	851.00	0.01
Copier Supplies - MHC	0.00	0.00	67.10	0.00
Copier Supplies - CORP	65.83	0.00	340.47	0.00
X-Ray Supplies - UCK	2,305.36	0.15	22,946.66	0.19
X-Ray Supplies - ORUA	3,037.25	0.19	57,914.42	0.48
X-Ray Supplies - KUC	1,247.62	0.08	10,807.97	0.09



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X-Ray Supplies - UAK	0.00	0.00	(649.73)	(0.01)
Pharmacy Supplies - PHRM	68.45	0.00	345.27	0.00
Exam Supplies - UCK	8,316.51	0.53	107,938.06	0.89
Exam Supplies - ORUA	0.00	0.00	114,986.63	0.94
Exam Supplies - KUC	6,806.33	0.43	53,396.65	0.44
Exam Supplies - PHRM	0.00	0.00	117.90	0.00
Exam Supplies - THPY	461.88	0.03	1,953.60	0.02
Proc/RxAdmin Supplies - UCK	6,115.88	0.39	125,373.23	1.03
Proc/RxAdmin Supplies - ORUA	10,022.83	0.64	104,048.64	0.85
Proc/RxAdmin Supplies - KUC	4,450.59	0.28	118,481.24	0.97
Proc/RxAdmin Supplies - THPY	0.00	0.00	105.52	0.00
Lab Supplies - LAB	1,951.66	0.12	10,905.44	0.09
Lab Supplies - Histology	5,943.84	0.38	99,550.90	0.82
Lab Supplies - PSA/Testos	13,362.28	0.85	62,907.62	0.52
Lab Supplies - Cytology	5,898.07	0.37	51,581.76	0.42
Lab Supplies - Chemistry	3,493.46	0.22	45,431.90	0.37
Lab Supplies - Heamtology	329.87	0.02	7,005.01	0.06
Office Equip <\$2500 - ORUA	20.00	0.00	414.00	0.00
Furn/Fixtures <\$2500 - UCK	0.00	0.00	738.89	0.01
Furn/Fixtures <\$2500 - THPY	0.00	0.00	402.55	0.00
Comp/Periph <\$2500 - UCK	87.40	0.01	4,706.71	0.04
Comp/Periph <\$2500 - ORUA	43.47	0.00	3,213.83	0.03
Comp/Periph <\$2500 - KUC	185.09	0.01	2,070.84	0.02
Comp/Periph <\$2500 - PHRM	0.00	0.00	1,518.94	0.01
Comp/Periph <\$2500 - THPY	0.00	0.00	1,202.83	0.01
Comp/Periph <\$2500 - CORP	0.00	0.00	3,525.64	0.03
Software <\$2500 - ORUA	0.00	0.00	162.78	0.00
Software <\$2500 - PHRM	0.00	0.00	3,141.52	0.03
Software <\$2500 - THPY	0.00	0.00	284.05	0.00
Software <\$2500 - CORP	(352.62)	(0.02)	244.76	0.00
Medical Equip <\$2500 - UCK	0.00	0.00	1,447.27	0.01
Medical Equip <\$2500 - ORUA	0.00	0.00	488.72	0.00
Medical Equip <\$2500 - KUC	0.00	0.00	3,868.20	0.03
Medical Equip <\$2500 - THPY	0.00	0.00	7,331.73	0.06
Dues/Subscriptions - UCK	668.00	0.04	5,092.38	0.04
Dues/Subscriptions - Congleton	1,583.00	0.10	3,542.25	0.03
Dues/Subscriptions - Nicely	493.00	0.03	2,656.00	0.02
Dues/Subscriptions - Ramsey	420.00	0.03	3,130.00	0.03
Dues/Subscriptions - Parker	1,583.00	0.10	4,213.00	0.03
Dues/Subscriptions - Cameron	1,583.00	0.10	3,677.00	0.03
Dues/Subscriptions - Reynolds	1,408.00	0.09	4,148.00	0.03
Dues/Subscriptions - ORUA	115.00	0.01	4,290.60	0.04
Dues/Subscriptions - Pearson	300.00	0.02	3,991.85	0.03
Dues/Subscriptions - Chasan	0.00	0.00	4,313.00	0.04
Dues/Subscriptions - Bowles	0.00	0.00	3,592.85	0.03
Dues/Subscriptions - Cottrell	0.00	0.00	3,845.95	0.03
Dues/Subscriptions - Shrewsber	300.00	0.02	3,431.00	0.03
Dues/Subscriptions - KUC	0.00	0.00	1,062.49	0.01
Dues/Subscriptions - Shepherd	175.00	0.01	2,356.95	0.02
Dues/Subscriptions - Harris	3,237.50	0.21	15,672.33	0.13
Dues/Subscriptions - Lischer	175.00	0.01	2,491.00	0.02
Dues/Subscriptions - Chiles	175.00	0.01	1,855.00	0.02
Dues/Subscriptions - LeRoy	1,078.00	0.07	3,974.91	0.03
Dues/Subscriptions - LAB	50.00	0.00	3,397.00	0.03
Dues/Subscriptions - PHRM	0.00	0.00	875.00	0.01

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	Current Month	%	9:53 AM Date	%
Dues/Subscriptions - THPY	0.00	0.00	69.00	0.00
Dues/Subscriptions - CORP	3,049.00	0.19	8,824.92	0.07
Phone/Cable/Net - UCK	7,706.15	0.49	119,633.79	0.98
Phone/Cable/Net - ORUA	4,627.19	0.29	75,991.22	0.62
Phone/Cable/Net - Chasan	0.00	0.00	1,162.40	0.01
Phone/Cable/Net - KUC	3,920.70	0.25	44,314.36	0.36
Phone/Cable/Net - LAB	277.69	0.02	10,811.02	0.09
Phone/Cable/Net - MHC	185.12	0.01	2,204.56	0.02
Phone/Cable/Net - PHRM	92.56	0.01	92.56	0.00
Phone/Cable/Net - THPY	92.59	0.01	513.92	0.00
Phone/Cable/Net - CORP	1,129.83	0.07	40,240.98	0.33
Mobile Phones - UCK	160.80	0.01	4,208.70	0.03
Mobile Phones - Congleton	117.62	0.01	1,215.86	0.01
Mobile Phones - Nicely	66.40	0.00	827.70	0.01
Mobile Phones - Ramsey	83.01	0.01	1,121.27	0.01
Mobile Phones - Parker	95.48	0.01	1,349.13	0.01
Mobile Phones - Cameron	76.49	0.00	1,583.28	0.01
Mobile Phones - Reynolds	35.81	0.00	619.93	0.01
Mobile Phones - ORUA	172.35	0.01	1,383.48	0.01
Mobile Phones - Pearson	76.29	0.00	1,013.27	0.01
Mobile Phones - Chasan	35.81	0.00	705.39	0.01
Mobile Phones - Bowles	65.01	0.00	752.08	0.01
Mobile Phones - Cottrell	88.65	0.01	975.58	0.01
Mobile Phones - Shrewsberry	70.67	0.00	1,016.77	0.01
Mobile Phones - KUC	64.41	0.00	859.32	0.01
Mobile Phones - Shepherd	65.22	0.00	413.62	0.00
Mobile Phones - Harris	71.10	0.00	759.31	0.01
Mobile Phones - Lischer	58.70	0.00	1,071.57	0.01
Mobile Phones - Chiles	0.00	0.00	1,924.41	0.02
Mobile Phones - LeRoy	66.63	0.00	805.25	0.01
Mobile Phones - MHC	57.23	0.00	661.72	0.01
Mobile Phones - CORP	187.32	0.01	2,617.88	0.02
Beepers - ORUA	143.43	0.01	320.97	0.00
Utilities - UCK	1,772.03	0.11	11,245.28	0.09
Utilities - KUC	1,803.49	0.11	24,363.65	0.20
Utilities - CORP	0.00	0.00	331.48	0.00
Leased Office Equip - UCK	0.00	0.00	5,633.79	0.05
Leased Office Equip - ORUA	0.00	0.00	2,336.34	0.02
Leased Office Equip - KUC	249.09	0.02	996.36	0.01
Leased Office Equip - LAB	0.00	0.00	468.00	0.00
Leased Office Equip - MHC	0.00	0.00	468.00	0.00
Leased Office Equip - CORP	351.79	0.02	3,708.89	0.03
Office Lease - UCK	27,382.45	1.74	310,291.94	2.55
Office Lease - ORUA	22,869.79	1.45	300,305.48	2.46
Office Lease - KUC	21,653.44	1.38	258,244.34	2.12
Office Lease - LAB	3,068.32	0.19	36,278.31	0.30
Office Lease - CORP	968.75	0.06	22,016.17	0.18
Storage Space - UCK	95.00	0.01	2,526.00	0.02
Storage Space - UAK	0.00	0.00	1,188.00	0.01
Storage Space - CORP	233.00	0.01	2,208.00	0.02
Leased Medical Equip - UCK	(57,024.56)	(3.62)	0.00	0.00
Legal Fees - UCK	2,861.78	0.18	11,277.24	0.09
Legal Fees - ORUA	1,962.55	0.12	9,887.23	0.08
Legal Fees - KUC	1,635.67	0.10	8,621.30	0.07
Legal Fees - CORP	15,310.57	0.97	18,782.80	0.15

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	Current Month	%	9:53 AM Date	%
Accounting - PHRM	0.00	0.00	759.09	0.01
Accounting - CORP	1,336.85	0.08	63,620.06	0.52
Contract Labor - UCK	1,865.00	0.12	24,155.16	0.20
Contract Labor - ORUA	0.00	0.00	3,076.10	0.03
Contract Labor - KUC	0.00	0.00	2,400.00	0.02
Contract Labor - MHC	6,366.67	0.40	78,150.04	0.64
Contract Labor - CORP	0.00	0.00	2,268.80	0.02
Alt Comm Services - UCK	1,055.17	0.07	4,917.66	0.04
Alt Comm Services - ORUA	253.56	0.02	253.56	0.00
Alt Comm Services - KUC	0.00	0.00	19.75	0.00
Transcription Services - UCK	35,689.24	2.27	203,677.14	1.67
Transcription Services - ORUA	6,987.48	0.44	41,252.64	0.34
Transcription Services - KUC	14,306.37	0.91	77,267.17	0.63
Outside Lab Services - UCK	869.71	0.06	5,580.75	0.05
Outside Lab Services - ORUA	0.00	0.00	4,065.14	0.03
Outside Lab Services - KUC	0.00	0.00	325.00	0.00
Outside Lab Services - LAB	0.00	0.00	616.08	0.01
Radiology Services - UCK	8,063.61	0.51	96,763.32	0.79
Radiology Services - ORUA	5,544.20	0.35	66,530.40	0.55
Radiology Services - KUC	5,040.69	0.32	60,488.28	0.50
Patient Statements - UCK	2,677.75	0.17	21,476.06	0.18
Patient Statements - ORUA	1,836.35	0.12	14,411.18	0.12
Patient Statements - KUC	1,530.49	0.10	12,410.49	0.10
Compliance Services - UCK	0.00	0.00	269.24	0.00
Compliance Services - ORUA	0.00	0.00	3,269.24	0.03
Compliance Services - KUC	0.00	0.00	269.23	0.00
Compliance Services - CORP	1,334.00	0.08	7,335.00	0.06
Business Taxes - UCK	0.00	0.00	3,342.24	0.03
Business Taxes - ORUA	0.00	0.00	5,085.49	0.04
Business Taxes - KUC	0.00	0.00	13,991.07	0.11
Business Taxes - CORP	0.00	0.00	20,456.86	0.17
Gen Liab/WC Ins - UCK	1,499.49	0.10	7,959.78	0.07
Gen Liab/WC Ins - ORUA	1,105.98	0.07	5,859.87	0.05
Gen Liab/WC Ins - KUC	823.66	0.05	4,060.31	0.03
Gen Liab/WC Ins - LAB	105.60	0.01	680.64	0.01
Gen Liab/WC Ins - MHC	21.12	0.00	179.94	0.00
Gen Liab/WC Ins - PHRM	21.12	0.00	21.12	0.00
Gen Liab/WC Ins - THPY	21.12	0.00	79.66	0.00
Gen Liab/WC Ins - CORP	6,011.41	0.38	38,442.39	0.32
Prof Liab Ins - UCK	70,029.20	4.45	68,776.20	0.56
Prof Liab Ins - Ramsey	0.00	0.00	(1,439.00)	(0.01)
Prof Liab Ins - Parker	0.00	0.00	(1,439.00)	(0.01)
Prof Liab Ins - Cameron	0.00	0.00	(1,439.00)	(0.01)
Prof Liab Ins - Reynolds	0.00	0.00	(1,439.00)	(0.01)
Prof Liab Ins - ORUA	62,167.80	3.95	63,262.80	0.52
Prof Liab Ins - Chasan	0.00	0.00	(1,549.00)	(0.01)
Prof Liab Ins - Shrewsberry	0.00	0.00	(1,363.00)	(0.01)
Prof Liab Ins - KUC	54,195.00	3.44	54,195.00	0.44
Prof Liab Ins - Shepherd	0.00	0.00	(1,549.00)	(0.01)
Prof Liab Ins - Harris	0.00	0.00	(1,023.00)	(0.01)
Prof Liab Ins - Lischer	0.00	0.00	(1,549.00)	(0.01)
Prof Liab Ins - Chiles	0.00	0.00	(1,549.00)	(0.01)
Prof Liab Ins - LeRoy	0.00	0.00	(3,098.00)	(0.03)
Prof Liab Ins - LAB	5,151.00	0.33	5,151.00	0.04
Other Misc Taxes - UCK	0.00	0.00	400.00	0.00

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	Current Month	%	Year to Date	%
Other Misc Taxes - Congleton	0.00	0.00	400.00	0.00
Other Misc Taxes - Nicely	0.00	0.00	400.00	0.00
Other Misc Taxes - Ramsey	0.00	0.00	400.00	0.00
Other Misc Taxes - Parker	0.00	0.00	400.00	0.00
Other Misc Taxes - Cameron	0.00	0.00	400.00	0.00
Other Misc Taxes - Reynolds	0.00	0.00	400.00	0.00
Other Misc Taxes - Pearson	0.00	0.00	400.00	0.00
Other Misc Taxes - Chasan	0.00	0.00	400.00	0.00
Other Misc Taxes - Bowles	0.00	0.00	400.00	0.00
Other Misc Taxes - Cottrell	0.00	0.00	400.00	0.00
Other Misc Taxes - Shrewsberry	0.00	0.00	400.00	0.00
Other Misc Taxes - Shepherd	0.00	0.00	400.00	0.00
Other Misc Taxes - Harris	0.00	0.00	400.00	0.00
Other Misc Taxes - Lischer	0.00	0.00	400.00	0.00
Other Misc Taxes - Chiles	0.00	0.00	400.00	0.00
Other Misc Taxes - LeRoy	0.00	0.00	400.00	0.00
Other Misc Taxes - LAB	0.00	0.00	400.00	0.00
Contributions - Ramsey	0.00	0.00	200.00	0.00
Contributions - Cottrell	0.00	0.00	1,000.00	0.01
Contributions - CORP	0.00	0.00	414.00	0.00
Gifts - UCK	0.00	0.00	138.85	0.00
Gifts - ORUA	0.00	0.00	6,129.25	0.05
Gifts - KUC	0.00	0.00	605.60	0.00
Gifts - LAB	50.00	0.00	50.00	0.00
Gifts - CORP	0.00	0.00	179.06	0.00
Uniforms - UCK	252.50	0.02	6,059.31	0.05
Uniforms - ORUA	37.50	0.00	4,632.39	0.04
Uniforms - Chasan	0.00	0.00	956.35	0.01
Uniforms - KUC	636.28	0.04	3,625.91	0.03
Uniforms - LAB	0.00	0.00	716.92	0.01
Uniforms - MHC	0.00	0.00	115.99	0.00
Uniforms - CORP	0.00	0.00	132.95	0.00
Laundry - UCK	603.97	0.04	8,553.92	0.07
Laundry - Congleton	0.00	0.00	30.08	0.00
Laundry - ORUA	820.74	0.05	5,338.83	0.04
Laundry - Chasan	0.00	0.00	652.03	0.01
Laundry - KUC	37.95	0.00	702.75	0.01
Laundry - THPY	530.27	0.03	2,040.17	0.02
Waste & Doc Mgmt - UCK	1,065.36	0.07	8,285.32	0.07
Waste & Doc Mgmt - ORUA	713.36	0.05	5,369.57	0.04
Waste & Doc Mgmt - KUC	674.12	0.04	6,597.46	0.05
Waste & Doc Mgmt - LAB	0.00	0.00	1,595.27	0.01
Cleaning/Sanitation - UCK	2,507.73	0.16	29,379.77	0.24
Cleaning/Sanitation - KUC	1,729.29	0.11	19,549.14	0.16
Office Equip R&M - UCK	2,582.85	0.16	13,810.07	0.11
Office Equip R&M - ORUA	2,098.57	0.13	9,528.26	0.08
Office Equip R&M - KUC	1,130.00	0.07	10,332.62	0.08
Office Equip R&M - LAB	645.72	0.04	2,879.54	0.02
Office Equip R&M - MHC	322.86	0.02	1,082.32	0.01
Office Equip R&M - PHRM	82.18	0.01	82.18	0.00
Office Equip R&M - THPY	82.18	0.01	82.18	0.00
Office Equip R&M - CORP	645.71	0.04	3,458.60	0.03
Building R&M - UCK	8,427.35	0.54	92,851.87	0.76
Building R&M - ORUA	73.00	0.00	3,537.97	0.03
Building R&M - KUC	3,844.50	0.24	12,299.35	0.10

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	Current Month	%	9:53 A.M. Date	%
Building R&M - LAB	0.00	0.00	299.50	0.00
Building R&M - Therapy	0.00	0.00	260.54	0.00
Building R&M - CORP	0.00	0.00	633.64	0.01
Comp/Periph R&M - UCK	24,187.77	1.54	154,070.04	1.26
Comp/Periph R&M - ORUA	17,678.44	1.12	108,474.53	0.89
Comp/Periph R&M - Chasan	0.00	0.00	197.55	0.00
Comp/Periph R&M - KUC	12,707.29	0.81	80,852.21	0.66
Comp/Periph R&M - LAB	1,661.19	0.11	12,509.82	0.10
Comp/Periph R&M - MHC	527.42	0.03	3,995.40	0.03
Comp/Periph R&M - PHRM	338.87	0.02	1,328.03	0.01
Comp/Periph R&M - THPY	1,292.08	0.08	11,986.57	0.10
Comp/Periph R&M - CORP	1,879.69	0.12	32,141.47	0.26
Medical Equip R&M - UCK	23,536.10	1.50	157,208.71	1.29
Medical Equip R&M - ORUA	9,871.62	0.63	67,421.06	0.55
Medical Equip R&M - KUC	8,368.01	0.53	61,494.20	0.50
Medical Equip R&M - LAB	3,970.21	0.25	20,430.95	0.17
Medical Equip R&M - THPY	267.66	0.02	267.66	0.00
Depreciation - UCK	2,438.00	0.15	29,256.00	0.24
Depreciation - ORUA	3,190.00	0.20	38,280.00	0.31
Depreciation - KUC	2,120.00	0.13	25,440.00	0.21
Depreciation - CORP	3,143.00	0.20	37,716.00	0.31
Postage - UCK	936.38	0.06	6,167.36	0.05
Postage - ORUA	696.20	0.04	3,612.54	0.03
Postage - KUC	251.00	0.02	3,565.78	0.03
Postage - CORP	(12.85)	(0.00)	1,092.71	0.01
Freight - UCK	0.00	0.00	241.38	0.00
Freight - ORUA	0.00	0.00	89.25	0.00
Freight - LAB	58.74	0.00	394.48	0.00
Courier Service - UCK	4,736.02	0.30	32,101.71	0.26
Courier Service - ORUA	5,298.98	0.34	13,265.74	0.11
Courier Service - KUC	1,274.50	0.08	7,605.65	0.06
Courier Service - CORP	0.00	0.00	345.00	0.00
Bank Charges - UCK	1,839.98	0.12	21,173.00	0.17
Bank Charges - ORUA	926.44	0.06	9,261.19	0.08
Bank Charges - KUC	1,261.88	0.08	16,901.66	0.14
Bank Charges - CORP	2,448.82	0.16	38,851.72	0.32
Plan Admin - UCK	0.00	0.00	5,645.24	0.05
Plan Admin - CORP	0.00	0.00	390.00	0.00
Interest - UCK	0.00	0.00	1,567.38	0.01
Interest - ORUA	0.00	0.00	3,140.38	0.03
Interest - KUC	0.00	0.00	1,301.74	0.01
Interest - LAB	0.00	0.00	1,108.05	0.01
Interest - PHRM	0.00	0.00	0.35	0.00
Interest - CORP	0.00	0.00	34.96	0.00
Allocate Visa Charges - CORP	(56,460.77)	(3.59)	0.00	0.00
Misc Expense - UCK	(0.47)	(0.00)	(0.47)	(0.00)
Misc Expense - KUC	(0.31)	(0.00)	(0.31)	(0.00)
Misc Expense - UAK	(0.62)	(0.00)	(0.62)	(0.00)
Loss(Gain) on Assets - UCK	0.00	0.00	9,721.27	0.08
InterCompany - UCK	216,648.92	13.76	1,081,635.69	8.88
InterCompany - ORUA	153,580.35	9.76	780,219.89	6.40
InterCompany - BRIGGS	29.38	0.00	3,099.51	0.03
InterCompany - KUC	161,763.60	10.28	675,034.34	5.54
InterCompany - UAK	1,753.58	0.11	20,756.42	0.17
InterCompany - LAB	(102,863.71)	(6.54)	(1,048,127.59)	(8.60)

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	Current Month	%	Year to Date	%
InterCompany - MHC	(17,638.10)	(1.12)	(165,911.41)	(1.36)
InterCompany - PHRM	(2,224.22)	(0.14)	(20,421.30)	(0.17)
InterCompany - THPY	(11,212.93)	(0.71)	(69,656.16)	(0.57)
InterCompany - CORP	(116,037.98)	(7.37)	(1,366,525.50)	(11.21)
EFT/ERA - UCK	0.00	0.00	181,266.00	1.49
EFT/ERA - ORUA	0.00	0.00	127,841.00	1.05
EFT/ERA - KUC	0.00	0.00	84,588.00	0.69
	<hr/>		<hr/>	
Total Expense	1,573,939.24	100.00	12,186,712.74	100.00
	<hr/>		<hr/>	
Net Income	\$ 344,859.68	(100.00)	\$ 9,151,146.54	(100.00)
	<hr/>		<hr/>	

TAB 19

Thus, the average projected gross charge for a surgical case performed at the ASTC proposed in this CON application compares favorably to average gross charges for a case/procedure performed at any of the nonspecialized surgery centers in the service area proposed for the Project.

- F. 1) Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as **Attachment Section B-Economic Feasibility-F1. NOTE: Publicly held entities only need to reference their SEC filings.**

**RESPONSE:** As outlined in the Projected Data Chart, the ASTC is expected to be profitable and attain a positive cash flow in the first year of its operations.

- 2) Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio					

**RESPONSE:** The requested net operating margin ratio chart is set forth below:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio				19.4%	19.8%

- 3) Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business's permanent (Long-term) financing mix. This ratio best measures a business's true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt+Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity's



TAB 21

audited balance sheet, if applicable. The Capitalization Ratios are not reported from outside the company lenders that provide funding.

**RESPONSE:** CUA Opco, LLC's capitalization ratio is 46%.

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care		
TennCare/Medicaid		
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Worker's Compensation)		
Total		

**RESPONSE:** The practice expects to contract with governmental payors, and projects that its payor mix will not change meaningfully. The requested chart responses are set forth below:

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care	8,367,948	48.0%
TennCare/Medicaid	217,915	1.25%
Commercial/Other Managed Care	7,792,652	44.7%
Self-Pay	549,147	3.15%
Charity Care	383,531	2.29%
Other (Worker's Compensation)	122,033	0.7%
Total	17,433,226	100.0%

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

TAB 26

## PROJECT COMPLETION FORECAST CHART July 26, 2018

9:53 A.M.

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		10/24/18
2. Architectural and engineering contract signed	52	12/15/18
3. Construction documents approved by the Tennessee Department of Health	98	1/31/19
4. Construction contract signed	99	2/1/19
5. Building permit secured	99	2/1/19
6. Site preparation completed	84	1/15/19
7. Building construction commenced	99	2/1/19
8. Construction 40% complete	249	7/1/19
9. Construction 80% complete	372	11/1/19
10. Construction 100% complete (approved for occupancy)	464	2/1/20
11. *Issuance of License	507	3/15/20
12. *Issuance of Service	507	3/15/20
13. Final Architectural Certification of Payment	513	4/1/20
14. Final Project Report Form submitted (Form HR0055)	574	6/1/20

\*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 only.

**NOTE:** If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date

**July 26, 2018**

**9:53 A.M.**

**AFFIDAVIT**

STATE OF Maryland

COUNTY OF Baltimore

NAME OF FACILITY: Urologic Surgery Center of Knoxville

I, STEVE BASS, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

STEVE BASS  
EXECUTIVE VICE PRESIDENT  
CHIEF FINANCIAL OFFICER  
CVA OPCO, LLC

Sworn to and subscribed before me, a Notary Public, this the 25<sup>th</sup> day of July, 2018, witness my hand at office in the County of Baltimore, State of Maryland.

  
NOTARY PUBLIC

My commission expires May 31, 2019.

HF-0043

Revised 7/02

UNI GOODMAN  
Notary Public  
Baltimore County  
Maryland  
My Commission Expires May 31, 2019

# Supplemental #2 (Original)

Urologic Surgery Center  
of Knoxville, LLC

CN1807-029

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**Supplemental #2**  
**BAKER DONELSON** **July 30, 2018**  
**11:16 A.M.**

BAKER DONELSON CENTER · SUITE 800 · 211 COMMERCE STREET · NASHVILLE, TENNESSEE 37201  
615.726.5600 · bakerdonelson.com

WILLIAM WEST, SHAREHOLDER  
**Direct Dial:** (615) 726-5561  
**Direct Fax:** (615) 744-5561  
**E-Mail Address:** bwest@bakerdonelson.com

July 30, 2018

Mr. Mark Farber  
Health Planner III  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**Via Hand Delivery**

Re: Certificate of Need Application CN1807-029  
Urologic Surgery Center of Knoxville

Dear Mr. Farber:

Set forth below are the responses of Urological Surgery Center of Knoxville from your letter dated July 27, 2018. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

**1. Section A. Project Details 5. Management Agreement**

Please identify the members of CUA Intermediate, LLC.

**RESPONSE:** The applicant reports that the members of CUA Intermediate, LLC are CUA Group Holdings, LLC and AG CUA Holdings, LLC

**2. Section A. Project Details 6. Legal Interest in Site**

Your response to this item is noted. Please provide a copy of the deed from Pellissippi Dutchtown General Partnership to document ownership of the property of the site for the proposed project.

**RESPONSE:** A copy of the current deed to the property, documenting the ownership of the property by the Pellissippi Dutchtown General Partnership is attached to these Responses.

Mr. Mark Farber

July 30, 2018

Page 2

**3. Section A. Project Details 9.**

Please explain why the applicant has chosen not to contract with Amerigroup.

**RESPONSE:** The applicant's TennCare MCO contract projections are based on the current MCO contracts of TUA, PLLC with the TennCare MCOs. TUA, PLLC has reported to the applicant that it has not been able to agree upon contractual terms with Amerigroup, while it has been able to do so with the other listed TennCare MCOs.

**4. Section B, Need, A. (Specific Criteria –ASTC) Item 5.**

There appears to be an error in the 2017 Service Area ASTC Utilization Chart. The average number of cases per procedure room in the service area ASTCs should be 999.

Please make the necessary corrections and submit a replacement page.

**RESPONSE:** The requested Supplemental Response replacement page 10R reflecting the corrected figure is attached to these Responses.

The applicant has stated that more than 11,000 outpatient surgical cases were performed in area hospitals in 2017, yet the applicant reports for 2016 that area hospitals performed 4,370 outpatient urology cases in 2016.

Please address this discrepancy.

**RESPONSE:** This discrepancy is caused by the fact that only four of the nine general acute care, nonpediatric hospitals in the service area separately broke out the number of urologic OP cases done at their facilities on their 2016 JARs. The applicant's assertion that TUA performed over 11,000 outpatient cases at service area hospitals in 2017 is drawn from TUA's own records. Of these, over 6,100 were performed at Parkwest and Methodist Medical Center, which in 2016 did not break out urologic outpatient surgical cases separately on their 2016 JARs.

**5. Section B, Need, A. (Specific Criteria –ASTC) Item 8.**

Your response to this item is noted. Please provide the projected patient origin by county for the 30% of patients who reside in other East Tennessee counties.

**RESPONSE:** A chart reflecting the projected patient origins from the other East Tennessee counties is attached to these Responses, showing those projected patient origins as a % of total Project patients.

**6. Section B. Economic Feasibility Item F. 3)**

The definition for capitalization ratio used in this application form is (Long-Term Debt/ (Long-Term Debt +Total Equity (Net Assets)) X 100)



**July 30, 2018**

**11:16 A.M.**

Mr. Mark Farber

July 30, 2018

Page 3

Please submit the revised capitalization ratio.

**RESPONSE:** The revised capitalization ratio is 51.1%. A revised page 35R is attached to these Responses showing the revised capitalization ratio.

Sincerely,



William West

WHW/mhh

Enclosures

**July 30, 2018**

**11:16 A.M.**

SHERRY WITT  
REGISTER OF DEEDS  
KNOX COUNTY

This Instrument Prepared By:  
Jennifer L. Milligan  
Long, Ragsdale & Waters, P.C.  
1111 Northshore Drive, Suite S-700  
Knoxville, TN 37919

SEND TAX BILLS TO:  
1225 Weisgarber Rd.  
Suite S-390  
Knoxville, TN 37909

PROPERTY CLT CODE: Map: 118; Parcel: 17705

**QUITCLAIM DEED**

THIS INDENTURE, made as of this 5<sup>th</sup> day of February, 2007, between

**CENTURY PARK BUILDING III,**  
a Tennessee general partnership

of Knox County, Tennessee, hereinafter referred to as **Grantor**, and

**PELLISSIPPI DUTCHTOWN GENERAL PARTNERSHIP,**  
a Tennessee general partnership

of Knox County, Tennessee, hereinafter referred to as **Grantee**.

**WITNESSETH:**

That the said Grantor, for and in consideration of the sum of ONE AND 00/100 DOLLAR (\$1.00) cash in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, has bargained, sold, remised, released and QUITCLAIMED, and does hereby bargain, sell, remise, release and QUITCLAIM unto Grantee, the premises described on the attached Exhibit A and all the estate, right, title and interest of the Grantor therein, with the hereditaments and appurtenances thereto appertaining.

Grantor also hereby assigns and conveys to Grantee all rights and obligations held by Grantor (if any) as "Declarant" under the terms of the Declaration of Protective Covenants, Conditions and Restrictions and Owners Association for Century Park at Pellissippi recorded with the Knox County Register of Deeds at Instrument Number 200403180086559.

THIS CONVEYANCE is made subject to applicable easements, restrictions and building set back lines of record.

THE PREPARER OF THIS DEED MAKES NO REPRESENTATION AS TO THE STATUS OF THE TITLE TO THE PROPERTY DESCRIBED HEREIN. THIS DEED HAS BEEN PREPARED SOLELY FROM INFORMATION FURNISHED TO THE PREPARER WHO MAKES NO REPRESENTATION OTHER THAN THAT IT HAS BEEN ACCURATELY TRANSCRIBED FROM INFORMATION PROVIDED.

Whenever in this instrument a pronoun is used it shall be construed to represent either singular or plural, as the case may demand.

**COUNTERSIGNED**

FEB 09 2007

JOHN R. WHITEHEAD  
KNOX COUNTY  
PROPERTY ASSESSOR

BY

  
Instr: 200702090004706 Page: 1 OF 3  
REC'D FOR REC 02/09/2007 3:04:20PM  
RECORD FEE: \$17.00  
M. TAX: \$0.00 T. TAX: \$0.00

July 30, 2018

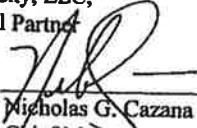
11:16 A.M.

IN WITNESS WHEREOF, the said Grantor has caused its representative to set its hand and seal the day and year first above written.

**CENTURY PARK BUILDING III, a Tennessee  
general partnership**

By: CAZANA FAMILY (PELLISSIPPI)  
LIMITED PARTNERSHIP, General Partner

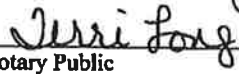
By: GG Lucky, LLC,  
General Partner

By:   
Name: Nicholas G. Cazana  
Title: Chief Manager

STATE OF TENNESSEE  
COUNTY OF KNOX

Before me, the undersigned notary public of the state and county aforesaid, personally appeared **Nicholas G. Cazana**, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself to be the Chief Manager of GG Lucky, LLC, a Tennessee limited liability company, which is the General Partner of Cazana Family (Pellissippi) Limited Partnership, which is the General Partner of **CENTURY PARK BUILDING III**, a Tennessee general partnership, the within-named bargainor, a Tennessee general partnership, and that he as such officer of the General Partner, executed the foregoing instrument for the purpose therein contained by signing the name of the general partnership as an officer of the General Partner.

WITNESS my hand and seal this 5<sup>th</sup> day of February, 2007.

  
Notary Public

My Commission Expires: 8/7/07

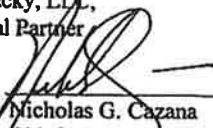
STATE OF TENNESSEE  
COUNTY OF KNOX

I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is \$10.00.

**CENTURY PARK BUILDING III, a Tennessee  
general partnership**

By: CAZANA FAMILY (PELLISSIPPI)  
LIMITED PARTNERSHIP, General Partner

By: GG Lucky, LLC,  
General Partner

By:   
Name: Nicholas G. Cazana  
Title: Chief Manager

Sworn to and subscribed before me, this  
5<sup>th</sup> day of February, 2007.

  
Notary Public

My Commission Expires: 8/7/07

**July 30, 2018**

**11:16 A.M.**

**EXHIBIT A**

**Situated in the Sixth (6th) Civil District of Knox County, Tennessee, within City Block 46366 of the 47<sup>th</sup> Ward of the City of Knoxville and being a tract more particularly described as follows:**

**All of Lot 3R as shown on the Final Plat of the Resubdivision of Lot 3 Century Park – Phase II, a subdivision of Knox County, Tennessee, as shown by Map filed of record with the Knox County Register of Deeds bearing Instrument Number 200605190097451 prepared by Robert G. Lusby, Jr., RLS # 1332, Cannon & Cannon, Inc., 9724 Kingston Pike, Knoxville, Tennessee 37922, to which map a specific reference is hereby made for a more particular description of said lots.**

**Being part of the same property conveyed by Deed from Grantee to Grantor by Quitclaim Deed dated May 16, 2005 bearing Instrument No. 200505168091842 recorded with the Knox County Register of Deeds.**



Inst: 200702090064756  
PAGE: 3 OF 3

**July 30, 2018**

**11:16 A.M.**

This Instrument Prepared By:  
**Jennifer L. Milligan**  
Long, Ragsdale & Waters, P.C.  
1111 Northshore Drive, Suite S-700  
Knoxville, TN 37919

STEVE HALL  
REGISTER OF DEEDS  
KNOX COUNTY

**QUITCLAIM DEED**

THIS INDENTURE, made as of this 10 day of May, 2005, between

**PELLISSIPPI DUTCHTOWN GENERAL PARTNERSHIP,**  
a Tennessee general partnership

of Knox County, Tennessee, hereinafter referred to as **Grantor**, and

**COUNTERSIGNED**

**CENTURY PARK BUILDING III,**  
a Tennessee general partnership

MAY 16 2005

JUDIN R. WHITEHEAD  
KNOX COUNTY  
PROPERTY ASSESSOR

of Knox County, Tennessee, hereinafter referred to as **Grantee**.

BY RA

**WITNESSETH:**

That the said Grantor, for and in consideration of the sum of ONE AND 00/100 DOLLAR (\$1.00) cash in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged, has bargained, sold, remised, released and QUITCLAIMED, and does hereby bargain, sell, remise, release and QUITCLAIM unto Grantee, the premises described on the attached Exhibit A and all the estate, right, title and interest of the Grantor therein, with the hereditaments and appurtenances thereto appertaining.

THIS CONVEYANCE is made subject to applicable easements, restrictions and building set back lines of record.

THE PREPARER OF THIS DEED MAKES NO REPRESENTATION AS TO THE STATUS OF THE TITLE TO THE PROPERTY DESCRIBED HEREIN. THIS DEED HAS BEEN PREPARED SOLELY FROM INFORMATION FURNISHED TO THE PREPARER WHO MAKES NO REPRESENTATION OTHER THAN THAT IT HAS BEEN ACCURATELY TRANSCRIBED FROM INFORMATION PROVIDED.

Whenever in this instrument a pronoun is used it shall be construed to represent either singular or plural, as the case may demand.

IN WITNESS WHEREOF, all partners of the said Grantor have caused their representatives to set their hand and seal the day and year first above written.

**CAZANA FAMILY (PELLISSIPPI)**  
**LIMITED PARTNERSHIP, General Partner**

By: GG Lucky, LLC,  
General Partner

By: [Signature]  
Name: Nicholas G. Cazana  
Title: Chief Manager

July 30, 2018

11:16 A.M.

STATE OF TENNESSEE  
COUNTY OF KNOX

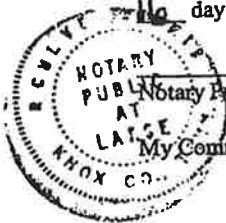
Before me, the undersigned notary public of the state and county aforesaid, personally appeared Nicholas G. Cazana, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, swore to and acknowledged himself to be the Chief Manager of GG Lucky, LLC, a Tennessee limited liability company, which is the General Partner of CAZANA FAMILY (PELLISSIPPI) LIMITED PARTNERSHIP, the within-named bargainor, a Tennessee limited partnership, and that he as such officer of the General Partner, executed the foregoing instrument for the purpose therein contained by signing the name of the limited partnership as an officer of the General Partner.

WITNESS my hand and seal this 16 day of May, 2005.  
Notary Public

My Commission Expires:

7-3-05STATE OF TENNESSEE  
COUNTY OF KNOX

I hereby swear or affirm that the actual consideration or true value of this transfer, whichever is greater, is \$50.00.

  
AffiantSworn to and subscribed before me, this  
16 day of May, 2005.

Notary Public

My Commission Expires: 7-3-05

SEND TAX BILLS TO:  
1225 Weisgarber Rd.  
Suite S-390  
Knoxville, TN 37909

PROPERTY CLT CODE: Map: 118; Parcel: 177.05118/177.01118/177.04118/196

July 30, 2018

11:16 A.M.

EXHIBIT A

Situated in the Sixth (6th) Civil District of Knox County, Tennessee, within City Block 46366 of the 47<sup>th</sup> Ward of the City of Knoxville and being a 64.185 acre tract more particularly described as follows:

**BEGINNING** on a set iron rod with cap (CCI) at the northwestern right-of-way line of Mabry Hood Road, said iron rod being located 75.00 feet south of the intersection of the northwestern right-of-way line of Mabry Hood Road with the southern right-of-way line of Dutchtown Road;

Thence with the northwestern right-of-way line of Mabry Hood Road, the following twenty (20) calls:

1. S 20° 47' 16" E, 43.46 feet to a set iron rod with cap (CCI);
2. With a curve to the right having a radius of 328.12 feet and a chord of S 10° 59' 18" E, 111.69 feet to a set iron rod with cap (CCI);
3. With a curve to the right having a radius of 328.12 feet and a chord of S 10° 18' 05" W, 130.73 feet to a set iron rod with cap (CCI);
4. S 21° 47' 30" W, 42.06 feet to a set iron rod with cap (CCI);
5. S 68° 11' 40" E, 11.86 feet to a set iron rod with cap (CCI);
6. N 22° 08' 55" E, 141.86 feet to a set iron rod with cap (CCI);
7. S 32° 05' 31" E, 49.71 feet to a set iron rod with cap (CCI);
8. S 20° 47' 00" E, 344.88 feet to a set iron rod with cap (CCI);
9. With a curve to the right having a radius of 870.00 feet and a chord of S 11° 19' 15" E, 286.06 feet to a set iron rod with cap (CCI);
10. S 75° 59' 11" W, 14.26 feet to a set iron rod with cap (CCI);
11. S 32° 22' 09" E, 26.69 feet to a set iron rod with cap (CCI);
12. With a curve to the right having a radius of 870.00 feet and a chord of S 08° 39' 45" W, 266.44 feet to a set iron rod with cap (CCI);
13. With a curve to the right having a radius of 5,000.50 feet and a chord of S 17° 48' 50" W, 59.90 feet to a set iron rod with cap (CCI);
14. S 18° 09' 25" W, 315.23 feet to a set iron rod with cap (CCI);
15. S 18° 38' 37" W, 107.74 feet to an existing iron rod with cap (Benchmark);
16. With a curve to the left having a radius of 192.64 feet and a chord of S 10° 24' 02" W, 52.47 feet to an existing iron rod with cap (Benchmark);
17. With a curve to the left having a radius of 283.20 feet and a chord of S 15° 45' 29" E, 177.85 feet to a set iron rod with cap (CCI);
18. S 34° 03' 32" E, 61.21 feet to a set iron rod with cap (CCI);
19. With a curve to the left having a radius of 2,030.20 feet and a chord of S 35° 21' 22" E, 91.93 feet to a set iron rod with cap (CCI);
20. S 36° 39' 11" E, 81.97 feet to a set iron rod with cap (CCI), corner to a Century Park – Phase I;



July 30, 2018

11:16 A.M.

Thence leaving the northwestern right-of-way line of Mabry Hood Road and with the northern line of Century Park – Phase I, the following three (3) calls:

1. S 69° 45' 39" W, 565.68 feet to a set iron rod with cap (CCI);
2. S 60° 19' 54" W, 368.13 feet to a set iron rod with cap (CCI);
3. S 69° 46' 42" W, 54.05 feet to a set iron rod with cap (CCI) at the southwestern right-of-way line of Sherrill Boulevard;

Thence with the southwestern right-of-way line of Sherrill Boulevard, N 44° 47' 00" W, 732.17 feet to a set iron rod with cap (CCI), corner to a Shepherd of the Hills Evangelical Lutheran Church of Knoxville, Tennessee (Deed Book 2112, Page 448);

Thence leaving the southwestern right-of-way line of Sherrill Boulevard and with the line of Shepherd of the Hills Evangelical Lutheran Church of Knoxville, Tennessee, the following three (3) calls:

1. N 49° 41' 08" E, 458.22 feet to a set iron rod with cap (CCI)
2. N 43° 33' 17" W, 349.93 feet to an existing iron rod;
3. S 49° 36' 31" W, 456.45 feet to a set iron rod with cap (CCI) at the southwestern right-of-way line of Sherrill Boulevard;

Thence leaving the line of Shepherd of the Hills Evangelical Lutheran Church of Knoxville, Tennessee and with the southwestern right-of-way line of Sherrill Boulevard, the following two (2) calls:

1. With a curve to the right having a radius of 427.18 feet and a chord of N 16° 47' 52" W, 242.03 feet to a set iron rod with cap (CCI);
2. N 00° 20' 19" W, 228.89 feet to a set iron rod with cap (CCI), corner to McClure (Deed Book 2236, Page 30);

Thence leaving the southwestern right-of-way line of Sherrill Boulevard and with the line of McClure, the following five (5) calls:

1. N 27° 19' 51" E, 660.96 feet to a set iron rod with cap (CCI);
2. N 68° 44' 33" E, 99.17 feet to a set iron rod with cap (CCI);
3. N 19° 47' 51" W, 88.79 feet to a set iron rod with cap (CCI);
4. N 27° 37' 32" E, 112.41 feet to a set iron rod with cap (CCI);
5. N 42° 00' 32" W, 12.61 feet to a set iron rod with cap (CCI) at the southern right-of-way line of Dutchtown Road;

Thence leaving the line of McClure and with the southern right-of-way line of Dutchtown Road, the following five (5) calls:

1. N 68° 30' 17" E, 102.61 feet to a set iron rod with cap (CCI);
2. N 67° 16' 56" E, 151.83 feet to a set iron rod with cap (CCI);
3. N 64° 33' 25" E, 152.18 feet to a set iron rod with cap (CCI);
4. N 69° 12' 53" E, 638.44 feet to a set iron rod with cap (CCI);
5. With a curve to the right having a radius of 75.00 feet and a chord of S 65° 47' 12" E, 106.06 feet to the Point of BEGINNING;

Containing 2,795,913.86 square feet or 64.185 acres, more or less.

This description was prepared by Robert G. Lusby, Jr., RLS # 1332, Cannon & Cannon, Inc., 9724 Kingston Pike, Knoxville, Tennessee 37922 and is based on a survey by same.



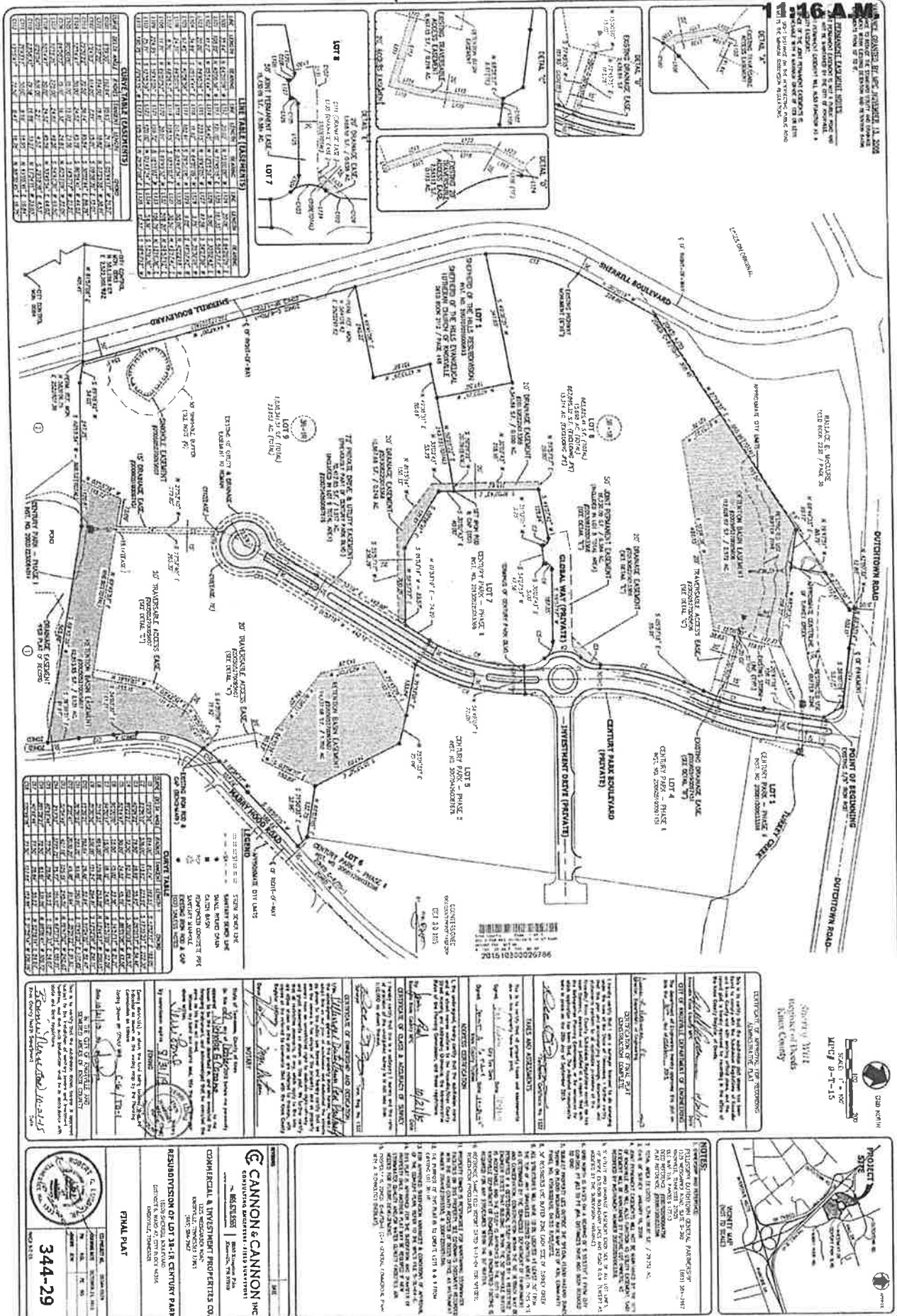
**July 30, 2018**

**11:16 A.M.**

FOR DERIVATION OF TITLE see Deeds of record at Instrument Number 200403180086556, and Instrument Number 200403180086557, and Instrument Number 200403180086553, all of record in the Register's Office for Knox County, Tennessee.

  
Instr: 200808160091042  
PAGE: 6 OF 8

46366-G3



**RESPONSE:**

**2015-2017 Service Area Utilization Trend**

County	ASTC	2015 Urol. Cases	2015 Total Cases	2015 Urol. as a %Total	2016 Urol. Cases	2016 Total Cases	2016 Urol. as a %Total	2017 Urol. Cases	2017 Total Cases	2017 Urol. as a %Total	Urol. Cases '15-'17 % change	Total Cases '15-'17 % change
Anderson	Advanced Fam	0	3,735	0	0	3,363	0	0	3,314	0	0	(11.3%)
Knox	Children's	958	4,534	21%	930	4,903	19%	887	5,116	17.3%	(7.4%)	12.8%
Knox	Ft. Sanders	0	2,282	0	0	2,291	0	0	2,414	0	0	5.8%
Knox	Parkwest	0	5,895	0	0	6,263*	0	0	5,426	0	0	(8%)
Knox	Physicians	7	4,472	.15%	4	4,881	.08%	0	4,253	0	0	(4.9%)
	<b>Grand Total/Average</b>	<b>965/193</b>	<b>20,918</b>	<b>4.6%</b>	<b>984</b>	<b>21,701</b>	<b>4.3%</b>	<b>887</b>	<b>20,523</b>	<b>4.3%</b>	<b>(7.4%)</b>	<b>(1.9%)</b>
			<b>4,184</b>		<b>187</b>			<b>177</b>				

Urol=Urologic Surgery  
Source: ASTC JAR  
\*Cases and Procedures

**2017 Service Area ASTC Utilization**

County	ASTC	# ORs	# OR Cases	# Cases per OR	% of meeting 884 Minimum	# PRs	# PR Cases	# Cases per PR	% of Meeting 1,867 Minimum
Anderson	Advanced Fam	4	3,314	829	93.8%	1	0	0	0
Knox	Children's	3	4,879	1,626	184%	0	0	0	0
Knox	Ft. Sanders	4	2,414	604	68.3%	0	0	0	0
Knox	Parkwest	5	3,429	686	77.6%	1	1,997	1,997	107%
Knox	Physicians	5	4,253	857	96.2%	0	0	0	0
	<b>Grand Total/Average</b>	<b>21</b>	<b>18,289</b>	<b>871</b>	<b>98.5%</b>	<b>2</b>	<b>999</b>	<b>999</b>	<b>53.5%</b>

Source: ASTC JAR

Please provide the following information for hospitals in Anderson, Knox, Loudon, and Roane Counties that provided urologic surgery in 2016.

County	Hospital	Urologic Surgery Cases	Total Cases	Urologic Surgery as a % of Total

Source: 2016 Hospital JAR

**RESPONSE:**

The requested data are set forth in the table below for the hospitals in the service area which reported providing urologic surgery in their 2016 JARs:

**East Tennessee Non-Service Area Patient Origin Projections**

<b>County</b>	<b>% of Project's Projected Patients</b>
Jefferson	3.8%
Monroe	3.3%
Scott	2.4%
Morgan	2.4%
Blount	2.3%
Campbell	2.0%
McMinn	1.5%
Cocke	1.4%
Sevier	1.3%
Union	1.1%
Grainger	1.1%
Hamblen	1.0%
Claiborne	0.8%
Meigs	0.7%
Rhea	0.6%
Greene	0.2%
Polk	0.1%
Sullivan	0.1%
Washington	0.1%
Hancock	0.1%
Hawkins	<0.1%
Carter	<0.1%

July 30, 2018

11:16 A.M.

audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

**RESPONSE:** CUA Opco, LLC's capitalization ratio is 51.1%.

- G. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid and medically indigent patients will be served by the project. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Applicant's Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care		
TennCare/Medicaid		
Commercial/Other Managed Care		
Self-Pay		
Charity Care		
Other (Worker's Compensation)		
Total		

**RESPONSE:** The practice expects to contract with governmental payors, and projects that its payor mix will not change meaningfully. The requested chart responses are set forth below:

Payor Source	Projected Gross Operating	As a % of total
Medicare/Medicare Managed Care	8,367,948	48.0%
TennCare/Medicaid	217,915	1.25%
Commercial/Other Managed Care	7,792,652	44.7%
Self-Pay	549,147	3.15%
Charity Care	383,531	2.29%
Other (Worker's Compensation)	122,033	0.7%
Total	17,433,226	100.0%

- H. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

**July 30, 2018**

**11:16 A.M.**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: UROLOGIC SURGERY CENTER OF KNOXVILLE

I, WILLIAM WEST, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

William West, attorney  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of July, 2018, witness my hand at office in the County of Davidson, State of Tennessee.

My commission expires

7/9/22



Melissa H. Smoot

HF-0043

Revised 7/02

# Supplemental #3 (Original)

Urologic Surgery Center  
of Knoxville, LLC

CN1807-029

**Supplemental #3**  
**July 31, 2018**  
**11:20 A.M.**

# BAKER DONELSON

BAKER DONELSON CENTER · SUITE 800 · 211 COMMERCE STREET · NASHVILLE, TENNESSEE 37201  
615.726.5600 · bakerdonelson.com

WILLIAM WEST, SHAREHOLDER  
**Direct Dial:** (615) 726-5561  
**Direct Fax:** (615) 744-5561  
**E-Mail Address:** bwest@bakerdonelson.com

July 31, 2018

Mr. Mark Farber  
Health Planner III  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

*Via Hand Delivery*

Re: Certificate of Need Application CN1807-029  
Urologic Surgery Center of Knoxville

Dear Mr. Farber:

Set forth below are the responses of Urological Surgery Center of Knoxville to your requests for additional supplemental information set forth in your letter dated July 30, 2018. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

**1. Section A. Project Details 5. Management Agreement**

Please identify the members and percentage of ownership of CUA Group Holdings, LLC and AG CUA Holdings, LLC and any other LLCs that lead to the ultimate owners of CUA Opco, LLC.

**RESPONSE:** CUA Opco, LLC has provided the attached organizational chart to identify the ownership of CUA Opco, LLC. As the attached chart indicates, CUA Opco, LLC reports that it is 100% owned by CUA Intermediate, LLC, which is, in turn, 99.99% owned by CUA Group Holdings, LLC and .01% owned by AG CUA Holdings, LLC, an investment fund owned by Audax Private Equity Fund V. Audax Private Equity is a private equity investment company based in Boston, Massachusetts. Audax Private Equity Fund V is one of its investment funds.

The attached chart shows that CUA Group Holdings, LLC is 69% owned by Audax Private Equity Fund V and 31% owned by a number of physician ownership entities,



Mr. Mark Farber  
July 31, 2018  
Page 2

**July 31, 2018****11:20 A.M.**

including one that is owned by Tennessee Urology Associates, PLLC physicians. The name of this TUA physician ownership entity is TUA Holdings, LLC.

The names of the other four physician ownership entities across the top of the attached chart are listed below. The members/shareholders of these physician ownership entities are physicians.

1. Peninsula Urology - PUA Holdings, LLC;
2. Chesapeake Urology - CUA Investors, Inc. and CUA Investors II, Inc.;
3. Urological Consultants - UCPA Holdings, LLC; and
4. Central MD Urology - CMUA Holdings, LLC.

As the organizational chart demonstrates, all listed clinical practices and ASTCs are owned by the physicians or their physician-owned professional LLCs or PLLCs.

**2. Section B, Need, A. (Specific Criteria –ASTC) Item 5.**

Your response to this item is noted. Please submit a chart for 2017 showing the distribution of TUA outpatient surgical cases by service area hospital.

**RESPONSE:** The requested chart is attached, covering the distribution of TUA outpatient surgical cases by service area hospital.

Sincerely,

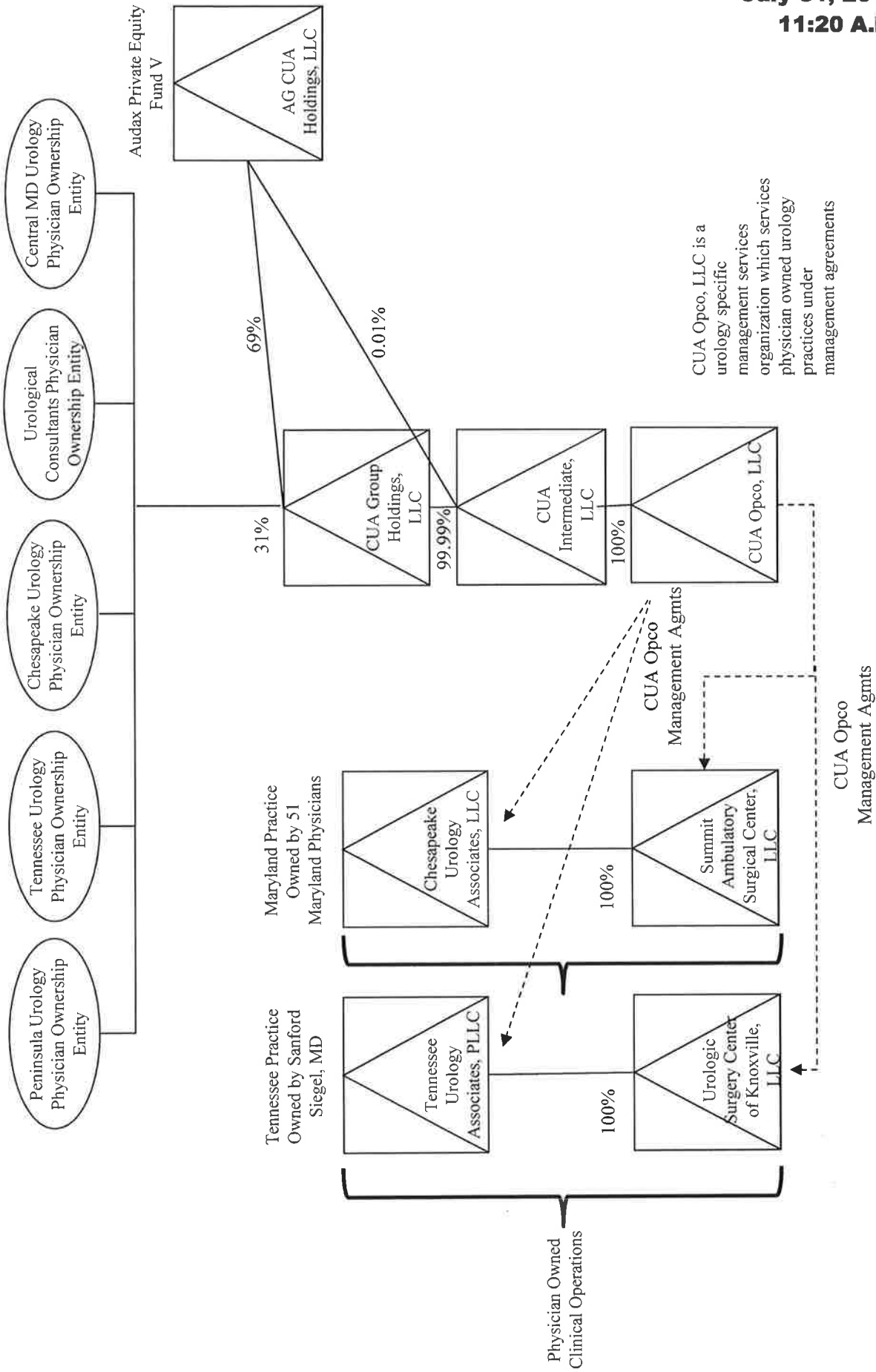


William West

WHW/mhh

Enclosures

# Current Organizational Structure



July 31, 2018

11:20 A.M.

2017 Distribution of TUA OP Surgical Cases by Service Area Hospital

	Physicians Regional	Tennova North	Parkwest	Tennova Turkey Creek	Metho- dist Medical Ctr.	Ft. Sanders	E. TN Children's Center	UT Medical Center	Ft. Loudon Medical Center	Roane Medical Center	Total Cases
Cases	1,290	2,357	3,591	1,334	2,515	5	0	0	0	0	11,092
%	11.6%	21.2%	32.4%	12%	22.7%	.05%	0	0	0	0	100%*

\*99.95% rounded off.

**July 31, 2018**

**11:20 A.M.**

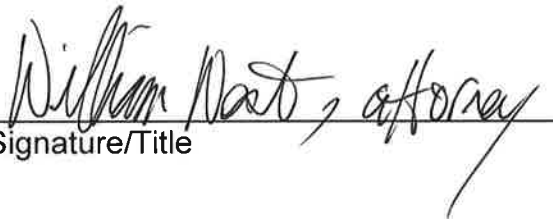
**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: UROLOGIC SURGERY CENTER OF KNOXVILLE

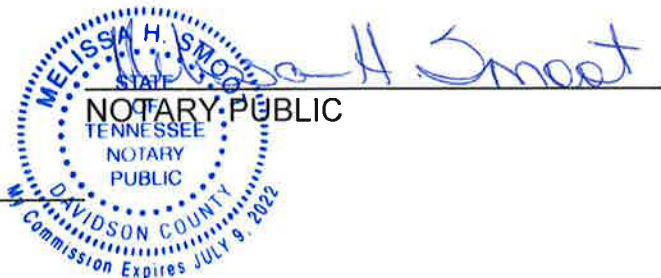
I, WILLIAM WEST, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 31st day of July, 2018, witness my hand at office in the County of Williamson, State of Tennessee.

My commission expires

7/9/22



HF-0043

Revised 7/02